



North Ayrshire Council  
Comhairle Siorrachd Àir a Tuath

## **Audit and Scrutiny Committee**

A Meeting of the **Audit and Scrutiny Committee** of North Ayrshire Council will be held in the **Council Chambers, Ground Floor, Cunninghame House, Irvine, KA12 8EE** on **Thursday, 30 May 2024** at **10:00** to consider the undernoted business.

### **Meeting Arrangements - Hybrid Meetings**

This meeting will be held on a predominantly physical basis but with provision, by prior notification, for remote attendance by Elected Members in accordance with the provisions of the Local Government (Scotland) Act 2003. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>.

#### **1 Declarations of Interest**

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

#### **2 Minutes**

The accuracy of the Minutes of the Meeting of the Audit and Scrutiny Committee held on 21 March 2024 will be confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973 (copy enclosed).

#### **3 Construction Contract Quality Monitoring**

Submit report by the Executive Director (Place) providing an update on the Council's approach to Construction Contract delivery (copy enclosed).

#### **4 2023/24 Elected Member Requests Report**

Submit report by the Head of Service (Democratic) informing of the Council's performance and the volumes and trends of Elected Member requests handled in Financial Year 2023/24 (copy enclosed).

- 5 2023/24 Complaint Report**  
Submit report by the Head of Service (Democratic) informing of the Council's complaint performance and the volumes and trends of complaints received in Financial Year 2023/24 (copy enclosed).
- 6 Code of Corporate Governance Statement 2024/25**  
Submit report by the Head of Service (Democratic) seeking approval of the Code of Governance Statement 2024/25 (copy enclosed).
- 7 Accounts Commission's Report: Local Government in Scotland: Financial Bulletin 2022/23**  
Submit report by the Head of Service (Finance) informing of the findings of the recently published report (copy enclosed).
- 8 2022/23 External Audit Action Plan Update**  
Submit report by the Head of Service (Finance) on the updated actions identified in the 2022/23 External Audit Action Plan (copy enclosed).
- 9 Annual Governance Statement 2023/24**  
Submit report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2023/24 which will be included within the draft Annual Accounts (copy enclosed).
- 10 Accounting Policies 2023/24**  
Submit report by the Head of Service (Finance) seeking approval of the accounting policies which will be adopted in the preparation of the Council's Annual Accounts for the year to 31 March 2024 (copy enclosed).
- 11 Strategic Risk Register 2024/25**  
Submit report by the Head of Service (Finance) on the Council's agreed Strategic Risk Register for 2024/25 (copy enclosed).
- 12 Internal Audit Annual Report 2023/24**  
Submit report by the Head of Service (Finance) on the work of Internal Audit during 2023/24 and providing an opinion on the governance, risk management and internal control environment of the Council (copy enclosed).
- 13 Corporate Fraud Team Annual Report 2023/24**  
Submit report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2023/24 (copy enclosed).
- 14 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update**  
Submit report by Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2024 (copy enclosed).

**15 Internal Audit Reports Issued**

Submit report by the Head of Service (Finance) on the findings of Internal Audit work completed between March and April 2024 (copy enclosed).

**16 Standing Item of Business: Consideration of future business for scrutiny**

**17 Urgent Items**

Any other items which the Chair considers to be urgent.

**Webcasting**

Please note: this meeting may be filmed/recorded/live-streamed to the Council's internet site and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>, where it will be capable of repeated viewing. At the start of the meeting, the Provost/Chair will confirm if all or part of the meeting is being filmed/recorded/live-streamed.

You should be aware that the Council is a Data Controller under the Data Protection Act 2018. Data collected during the webcast will be retained in accordance with the Council's published policy, including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Generally, the press and public seating areas will not be filmed. However, by entering the Council Chambers, using the press or public seating area or (by invitation) participating remotely in this meeting, you are consenting to being filmed and consenting to the use and storage of those images and sound recordings and any information pertaining to you contained in them for webcasting or training purposes and for the purpose of keeping historical records and making those records available to the public. If you do not wish to participate in a recording, you should leave the meeting. This will constitute your revocation of consent.

If you have any queries regarding this and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact [dataprotectionofficer@north-ayrshire.gov.uk](mailto:dataprotectionofficer@north-ayrshire.gov.uk).

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## Audit and Scrutiny Committee Sederunt

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John Bell (Chair)  
Donald Reid (Vice Chair)  
Eleanor Collier  
Cameron Inglis  
Tom Marshall  
Matthew McLean  
Davina McTiernan  
Donald L. Reid  
John Sweeney

Chair:

Apologies:

Attending:

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means and physical attendance within the Council Chambers, Irvine.

**Present (Physical Participation)**

John Bell, Donald Reid, Eleanor Collier, Cameron Inglis, Matthew McLean, Donald L. Reid and John Sweeney.

**Present (Remote Participation)**

Tom Marshall and Davina McTiernan.

**In Attendance (Physical Participation)**

A. Sutton, Executive Director, R. Leith, Head of Service (Connected Communities) and A. McClelland, Head of Service (Education); (Communities and Education); P. Doak, Head of Service (Finance and Transformation) (Health and Social Care Partnership); T. Reaney, Head of Service (Neighbourhood Services) (Place); M. Boyd, Head of Service, L. Miller, Senior Manager (Audit, Fraud, Safety and Risk) and D. Forbes, Strategic Business Partner (Financial Management and Revenues) (Finance); A. Elliot, Senior Manager (Housing Operations) (Place); E. Nixon, Senior Manager (Customer Service) (People and ICT); and A. Craig, Head of Service, I. Hardy, Team Manager (Policy, Performance and Elections), M. Anderson, Senior Manager (Committee and Member Services) and H. Clancy, Committee Services Officer (Democratic Services) (Chief Executive's Service).

**Also In Attendance (Physical Participation)**

D. Jamieson, Audit Scotland.

**Chair**

Councillor Bell in the Chair.

**1. Declarations of Interest**

There were no declarations of interest by Members in terms of Standing Order 11 and Section 5 of the Code of Conduct for Councillors.

**2. Minutes**

The accuracy of the Minutes of the Meeting of the Audit and Scrutiny Committee held on 25 January 2024 was confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

**3. Participatory Budgeting**

Submitted a report by the Executive Director (Communities and Education) on the ongoing development of small grants Participatory Budgeting (PB). Appendix 1 to the report provided the Participatory Budgeting 2023-24 Review report.

Members asked questions, and received further information on the following:

- mechanisms to encourage a wider range of groups to apply for funding;
- issues around the submission deadline for the previous round of funding applications and IT difficulties which were outwith the control of the Council and which had arisen in relation to voting, as well as recording feedback on such matters;
- the need to encourage greater competition for funding in future, particularly with regard to Youth Participatory Budgeting projects;
- the timing of future deadlines for the submission of funding applications, to better meet the needs of prospective applicants;
- actions to address technical issues in respect of voting;
- the Council's approach and policy on the use of animals for entertainment from Council owned land and premises and how that was reflected in funding decisions as part of the Participatory Budgeting process; and
- strategies to increase the number of members of the public participating in the voting process for Participatory Budgeting

The Head of Service (Democratic), having clarified there was no bye-law in place, undertook to provide further clarification of any current policy position on the use of animals for entertainment from Council land and premises.

Having duly reviewed the adaptations made to the small grants Participatory Budgeting process and provided feedback, the Committee agreed to note the progress made in developing the programme within Localities.

#### **4. Council Plan Mid-Year Progress Report**

Submitted a report by the Head of Service (Democratic) on the Council Plan Mid-Year Progress Report 2023-24. The progress report itself was attached as an appendix to the report.

Members asked questions, and received further information, on the following:

- the timing in bringing the mid-year progress report to the committee;
- issues which could arise when a Council supplier/contractor changed its name and the delays associated with meeting procurement rules around this;
- the extent to which current solar roof projects were generating power; and
- the application of the Council's policy on community benefit from renewable energy development.

The Head of Service (Finance) undertook to look into the particular case raised by a Member with regard to delays in service delivery following a change of name by a contractor.

The Head of Service (Democratic Services) undertook to liaise with the Head of Service (Sustainability, Transport and Corporate Property) with regard to the provision of further information on the delivery of community benefits associated with solar farm projects.

Noted.

## **5. 2023/2024 Half-Yearly Complaint Report**

Submitted a report by the Head of Service (Democratic) on the Council's complaint performance and the volumes and trends of complaints received in the first six months of financial year 2023/24. The progress report itself was attached as an appendix to the report.

Members asked questions, and received further information, on the following:

- whether the "working days" referred to in the report excluded weekends;
- the varying delivery timescales associated with the different colours of household waste bin due to supply chain issues;
- the perceived impact on litter levels of an identified issue affecting the lids of purple household waste bins;
- the reputational damage to the Council of service failures in respect of household waste collections;
- the impact of staff absence and vehicle faults on the waste collection service and measures to manage these factors;
- the need for better communication with the public around missed/delayed household waste collections, including whether it was possible to identify alternative mechanisms to reach those who did not use social media;
- the categorisation of concerns as "service requests", rather than "complaints";
- the benefits of conducting a detailed review of the household waste collection service, with a view to improving resilience, and the timescales for a planned review;
- the high-profile nature of the household waste collection service and the reasons for possible variance in performance in different parts of North Ayrshire;
- the potential impact on levels of fly tipping as a result of unscheduled closure of waste recycling centres due to staff absence;
- the particular circumstances relating to household waste collection in rural areas;
- the feasibility of introducing a 'status dashboard' which would allow residents to check on household waste collection issues in real time,
- poor parking on some residential streets, which impeded access by bin lorries, and measures to address this;
- the circumstances which would lead to the categorisation of an issue as a service request, stage 1 complaint or stage 2 complaint, and perceived inconsistencies in categorisation;
- the planned reporting cycle for future Complaints reports; and
- factors contributing to absence levels within the Waste team and the level of absence within this Service compared with overall levels of absence across the Council.

The Head of Service (Neighbourhood Services) undertook to provide information to Members on the comparative levels of staff absence within the Waste team and the Council overall.

Noted.

## **6. External Audit Plan 2023/24**

Submitted a report by the Head of Service (Finance) on the External Audit Plan for 2023/24. Audit Scotland's Annual Audit Plan for the 2023/24 audit was attached as an appendix to the report.

Members asked questions, and received further information, on the following:

- the fee structure of external audit services and the 6% uplift in audit fees;
- the terminology used in the audit report, with regard to "materiality levels"; and
- the Council's current debt level and financial sustainability.

Noted.

## **7. Internal Audit Plan 2024/25**

Submitted a report by the Head of Service (Finance) on the proposed internal audit plan for 2024/25. Appendix A to the report provided the internal audit plan for Quarters 1 and 2 of 2024/25. A list of potential audit areas was set out at Appendix B to the report.

The Chair asked a question, and received further information, on the potential for slippage of less pressing matters as a result of implementing a dynamic plan approach.

The Committee agreed to approve the internal audit plan.

## **8. Internal Audit Reports Issued**

Submitted a report by the Head of Service (Finance) on the findings of Internal Audit work completed between January and February 2024. The findings from four audit assignments were detailed at Appendix 1 to the report, together with the respective executive summaries and action plans.

Members asked questions, and received further information, on the following:

- the rectification of an oversight which had resulted in a small number of actions in respect of IJB Workforce Planning not being assigned to an officer(s); and
- whether IJBs were more certain about their future over the next three years following changes to proposals around a National Care Service;

Noted.

## **9. Internal Audit and Corporate Fraud Action Plans: Quarter 3 Update**

Submitted a report by the Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 December 2023.

Noted.



## **10. Standing Item of Business: Consideration of Future Business for Scrutiny**

The Head of Service (Democratic) referred to the self-evaluation exercise conducted by the Committee earlier in the year and, arising from this, to the addition of this standing Agenda item.

Members were invited to consider potential items of scrutiny business for future meetings.

The Executive Director (Communities and Education) undertook to ensure her Service liaised directly with relevant Members on issues relating to specific Community Asset Transfer applications, including in respect of Largs Tennis Club.

The Committee agreed (a) to receive reports to future meetings on (i) the Community Asset Transfer process and (ii) the Council's Climate Change target and associated policies; and (b) that it be remitted to officers to determine the appropriate reporting timescales for these matters, based on available resources.

## **11. Urgent Items**

There were no urgent items.

## **12. Exclusion of the Public – Para 1**

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

## **13. Investigation Reports Issued (Exempt Item)**

Submitted a report by the Head of Service (Housing and Public Protection) updating the Committee on the timeline surrounding a matter reported to the last meeting of the Committee as part of an investigation report.

Members asked questions, and received further information, on the following:

- the lessons learned from this case and safeguards now in place; and
- the feasibility of more frequent checking and cross-checking of data.

Noted.

The meeting ended at 11.55 a.m.



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## NORTH AYRSHIRE COUNCIL

30 May 2024

### Audit and Scrutiny

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**Title:** Construction Contract Quality Monitoring

**Purpose:** To update the Audit and Scrutiny Committee on the Council's approach to Construction Contract delivery.

**Recommendation:** It is proposed that the committee note the contract administration processes in place and the key risk and mitigation measures noted in the report

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#### 1. Executive Summary

- 1.1 The Audit and Scrutiny Committee have requested information be provided regarding the Council's construction contract management procedures following on-going water ingress to a sheltered housing unit which had previously undergone a refurbishment project.
- 1.2 The cause of the particular issue highlighted has been found to be as a result of the interface with a section of the building which was not refurbished and a requirement to clear leaf-debris from the area, rather than a specific flaw in the contract administration process.
- 1.3 A suite of procurement, contract administration and governance measures are in place to ensure the Council's construction contracts and associated risk are managed appropriately; a summary is provided in the report.

#### 2. Background

- 2.1 The Audit and Scrutiny Committee have requested information be provided regarding the Council's construction contract management procedures, in particular in relation to construction quality and the sign-off / acceptance of completed works.
- 2.2 The question was posed following on-going water ingress to the roof of Connel Court Sheltered Housing Unit in Kilbirnie. This property underwent a significant refurbishment between 2018 and 2020. The works were designed, and project managed by the Council's Property Management and Investment (PMI) team. The construction contract was carried out by McLaughlin Construction limited.
- 2.3 Investigation of the water ingress highlighted that blocked rain-water outlets in a flat roof cause the inlets to become overwhelmed and let-in water.

- 2.4 The work carried out at the time of the refurbishment included the application of a liquid applied roofing membrane to the area of flat roof and the installation of brush gutter-guard system to prevent leaves blocking outlets. The roof-deck and outlets were not replaced.
- 2.5 The extent of the works was governed by the need to maintain a habitable environment for residents during the course of the project. It was also believed the liquid applied coating and outlet guards would be sufficient to ensure the roof remained serviceable moving forward.
- 2.6 Following completion of the works, the contract administrator was not made aware of any water ingress during the one-year Defect Liability Period. It is assumed therefore that the subsequent water ingress issues have arisen as a result of an excess of leaf debris blocking the outlets. The underlying roof-deck also appears to have been compromised by the water ingress. As a result:
- Building Services have agreed to undertake regular clearance of the roof and outlets.
  - A project to undertake a replacement of the roof is being progressed by PMI.
- 2.7 A summary of the Council's construction contract management procedures is set out below.
- 2.8 The majority of the Council's construction contracts are managed by Property Management and Investment. This includes Housing and non-housing (General Services) projects, all non-housing maintenance and all Housing capital lifecycle investment programmes.
- 2.9 This encompasses a huge array of projects and works undertaken which vary greatly in scope, from small repair works at almost de-minimis values, to educational community campuses costing tens of millions of pounds.
- 2.10 Quality processes associated with construction work therefore also varies accordingly, relevant to the scale and complexity of the project and works undertaken.
- 2.11 All contractors however are subject to procurement processes designed to ensure people undertaking work have the sufficient knowledge, qualifications, experience and financial capacity.
- 2.12 In order to submit a compliant tender for any construction work, bidders must demonstrate relevant and recent technical experience for the proposed construction activities.
- 2.13 Tenders are evaluated against the set criteria, which will also vary according to the nature of the works prescribed in the contract. Often, detailed operational information must be provided, for example, lists of proposed sub-contractors, traffic management plans, plant and equipment operating plans etc.
- 2.14 When awarded, contracts will be administered by PMI (or appointed external consultants, depending on the chosen procurement route for the project).
- 2.15 Construction works can be extremely complex and carry risk, both operationally and commercially. Construction contracts are also complex and can give rise to disagreement and dispute over the reasons for issues such as delays, inappropriate

material use, incorrect installation methods etc. PMI have an experienced team of in-house Architects, Surveyors, Project Managers to manage these risks; also utilising a range of external consultants and advisors to ensure contracts are delivered using best practice methodologies.

- 2.16 To assist in the process also PMI have a central database of contract administration documents outlining key processes such as, standard meeting agendas, change control / variation instructions, risk registers, inspection record pro-formas, hand-over procedures. These documents are used by both Housing and non-housing teams as appropriate to the contract in-hand.
- 2.17 Prior to commencing works, a pre-start meeting will be held, chaired by PMI. The purpose of the pre-start meeting is to ensure contractors are aware of requirements such as the quality expectations of the Council in relation to works undertaken, contract administration and health and safety requirements.
- 2.18 In most capital projects, a Clerk of Works will be assigned to the project. The clerk of works role is to inspect, record and report on the operational delivery of the works to the contract administrator. Relevant site observations, issues with performance, adherence to design / specification, health and safety and other matters arising can then be addressed by the contract administrator.
- 2.19 During the course of a contract, regular progress meetings take place (generally on monthly basis) chaired by the contract administrator. The purpose of these meetings is to monitor the progress of work against the contractor's programme and to ensure that the work being carried out is in accordance with the design and specification.
- 2.20 As work progresses on-site, interim payments for work carried out are made, usually on a monthly basis. The value to be paid is measured by the project Quantity Surveyor and reflects the progress of works on-site. A monetary retention (normally 5%) is held on each of these payments. This sum is partially released when works are complete, the remainder being released after the end of the defects liability period.
- 2.21 As a project approaches completion, it is common for sections of the works to be offered by the contractor for inspection by the Council's Clerk of Works and / or contract administrator. Before offering works for inspection, it is incumbent on the contractor to ensure all works have been carried out in accordance with the contract documents.
- 2.22 Where works are complex or of a specialist nature, specific design consultants such as Mechanical and Electrical Engineers and Structural Engineers will be required to carry-out their own inspections and confirm work have been completed to their satisfaction.
- 2.23 In some circumstances, specialist reports will be commissioned into specific building elements, particularly where quality issues have been identified during the construction phase.
- 2.24 In the very largest of projects an Independent Tester is also appointed. This is a relatively new role within the construction project environment. The independent tester verifies the various testing and commissioning certificates required are received and they will certify completion of the project in accordance with defined project completion criteria.

- 2.25 Separate Quality Meetings will be held on larger projects, this allows specific areas of focus to be identified and tracked throughout the construction period and ensure input by the relevant parties to monitor compliance with specification and desired standards.
- 2.26 The majority of projects also require Building Warrant approval to ensure works are designed and constructed in accordance with the prevailing Building Standards. This is separate from the contractual process. Upon completion of works, a Building Standards Completion Certificate will be accepted, following inspection and other such reasonable enquiry by Building Standards during construction. In larger projects, this can be carried out on a staged basis, with relevant approvals relating to specific aspects of the work.
- 2.27 When inspected, it is also common for a list of items which are not to the required standard to be identified by the Council's Clerk of Works, the Contract Administrator, or their representative.
- 2.28 Significant issues identified prior to hand-over have the potential to preclude the Council accepting the works as complete. Less critical items (generally referred to as "snagging" items) will be reasonably assessed on their merits to determine if the building can be accepted while the contractor continues to address them.
- 2.29 There have been several examples where non-compliance with completion criteria requirements has resulted in a delay to hand-over, often in the face of significant pressure from contractors to accept the works. This includes a current high-profile major capital project and previous campus projects.
- 2.30 When the Contract Administrator is satisfied that works have been completed to an appropriate standard, this is confirmed by the issue of the Certificate of Practical Completion (PC). As noted above, achieving Practical Completion also triggers the release of 50% of the retention. Upon Practical Completion, the Council then take possession of the works and are fully responsible for all operational elements, such as utility costs, insurance, statutory compliance checks, health and safety of occupants, etc.
- 2.31 Following Practical Completion, projects enter a Defect Liability Period (DLP), this is generally for a one-year. During this time, the principal contractor is responsible for remedying all defects which arise in the contracted works. PMI have dedicated Contract Quality Officers to oversee this period. Their main responsibility is to manage defects which arise during the DLP and ensure they are rectified by the contractor.
- 2.32 Once the DLP has expired, a final inspection of the works is carried out and, subject to any outstanding contractual works or defects being resolved, a Certificate of Making Good Defects (MGD) is issued. This also triggers the release of the remaining retention.
- 2.33 Following the resolution of all known defects and the issue of the MGD certificate, latent defects which arise, where these are not covered by specific guarantees, require to be pursued as a claim outwith the construction contract. There is a maximum 12 year period, dependant on contract type, where defects which arise can be considered in this way. Any claim for against a latent defect must be raised within 5 years of it becoming apparent.

- 2.34 In addition to the contract administration processes noted above, relevant projects and capital investment programmes are subject to the Council's internal governance procedures. Projects are reported to the relevant Service / Directorate Project Board, chaired by a Head of Service or Director. Major projects are also subject to a further level of scrutiny through regular ELT reporting.
- 2.35 Although the contract procurement, administration and governance process noted above aim to mitigate against the risks of undertaking construction work, contract disputes and construction quality issues can occur; leading to issues such as cost and programme over-run and service impacts.
- 2.36 Common risks, issues and mitigations in the construction contract environment are noted below:

<b>Common issues / examples</b>	<b>Mitigations</b>
<p><b><u>Health and Safety during construction</u></b></p> <p>Construction operations can present risks to the Health and Safety to site operatives or others in close proximity to construction activities.</p>	<p>Designers, specifiers, contractors, and clients must carry out their responsibilities in accordance with the Construction Design Management Regulations 2015.</p> <p>Risks in relation to the tasks to be undertaken must be identified and managed accordingly.</p> <p>Works must be carried out in accordance with appropriate method statements and safe working practices.</p>
<p><b><u>Ground conditions / site location</u></b></p> <p>Ground conditions and site location can impact on the design and cost of key elements such as building structure, services infrastructure, traffic and pedestrian access, etc.</p>	<p>Undertaking feasibility reports, based on the high-level project brief as soon as practical in the development process.</p> <p>Undertaking: site investigations to determine ground conditions, potential contamination etc; utility investigations to determine if services can be delivered to a site; other environmental studies such as ecology, traffic management etc.</p>
<p><b><u>Work in existing buildings.</u></b></p> <p>Undertaking work within existing buildings can result in previously unknown defects in structure / construction requiring to be added to the scope of works. This can increase programme and cost.</p>	<p>Review of information held on record, for example existing drawings, condition surveys, asbestos registers etc.</p> <p>Surveys of existing building elements carried out prior to finalisation of contract documents.</p>

<p>The interface of existing building elements with new installations can also give rise to technical challenges and potential disputes over liability.</p>	
<p><b><u>Work in occupied buildings.</u></b></p> <p>Working within an occupied building can result in operational difficulty for services, or significant disruption for residents including utility disruptions, noise, access restrictions etc.</p>	<p>Careful project planning to ensure the interface between the contractor, their work and building users.</p> <p>On-site communication between the design team, contractor, client and building occupants.</p>
<p><b><u>Changes to brief and scope of project.</u></b></p> <p>Due to the evolving needs of services, and the time required to properly scope, design, procure and undertake a construction project, the project brief can change between inception and works being carried out-site. Changes to a design, particularly during the construction phase can extend project timescales and increase costs.</p>	<p>Robust project briefing and client sign-off of projects at relevant gateway review points.</p> <p>Use of change control process to ensure good project governance and appropriate level sign off of changes.</p> <p>Contract monitoring and reporting throughout the project lifecycle.</p>
<p><b><u>Insufficient budget to deliver preferred scope</u></b></p> <p>The ability to deliver all intended outcomes of any investment will be limited by the value of the available budget.</p>	<p>During the design process, the project scope and specification will be developed to ensure the maximum benefit is achieved and the priorities can be delivered; cost checks are undertaken during the project development phase.</p> <p>Contracts cannot be accepted unless there is sufficient budget to deliver the project.</p> <p>Project reporting and governance procedures are in place.</p>
<p><b><u>Contractor Performance</u></b></p> <p>Contractor performance may not meet our expectations, for example: inadequate supervision of works on-site; using inexperienced / underqualified staff /sub-contractors; substituting specified materials, etc.</p>	<p>Robust procurement process to ensure appropriate contractors are appointed.</p> <p>Appropriately qualified design and contract administration team, including inspection / sign-off process.</p>



The contractual risk and high values involved can result in a combative approach by some contractors, seeking to maximise their financial gain.	Appropriate contract management procedures.
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### **3. Proposals**

3.1 It is proposed that the committee note the contract administration processes in place and the key risk and mitigation measures noted in the report.

### **4. Implications/Socio-economic Duty**

#### **Financial**

4.1 There are no financial implications arising from this report.

#### **Human Resources**

4.2 There are no human resources implications arising from the report.

#### **Legal**

4.3 There are no Legal implications arising from this report.

#### **Equality/Socio-economic**

4.4 There are no equality implications arising from this report.

#### **Climate Change and Carbon**

4.5 There are no implications in relation to climate change and carbon arising from this report.

#### **Key Priorities**

4.6 The processes set out in the report support the Council's Key Priorities of:

- Places and public spaces across North Ayrshire are well maintained and accessible.
- Our places encourage strong inclusive communities and respect the local environment and cultural heritage.

#### **Community Wealth Building**

4.7 There are no Community Wealth Building implications arising from the report.

## **5. Consultation**

- 5.1 The Corporate Procurement Unit, Legal Services and Building Standards have been consulted on the content of this report.

**Russell McCutcheon**  
**Executive Director (Place)**

For further information please contact **Laurence Cree, Senior Manager, Property Management and Investment** , on **01294 324463**.

### **Background Papers**

N/A

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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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**Title:** **2023/24 Elected Member Requests Report**

**Purpose:** To inform the Audit and Scrutiny Committee of the Council's performance relating to Elected Member requests handled in Financial Year 2023/24.

**Recommendation:** That the Committee notes the report and the information provided.

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**1. Executive Summary**

1.1 This report details Elected Member requests information covering the period 1 April 2023 to 31 March 2024 (referred to in the report as 2023/24).

**2. Background**

2.1 This section contains information and commentary on Elected Member requests handled by the Council during Financial Year 2023/24.

**2.2 *Volume of Elected Member requests actioned during 2023/24***

Volume of requests actioned during year	2,992
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2.2.1 Councillor requests can be handled by Services under two stages:

*Stage One* – non-complex requests with a timescale to action of 5 working days

*Stage Two* – complex requests with a timescale to action of 20 working days

2.2.2 The table below details all Councillor requests actioned during the year:

	2023/24
Stage One requests actioned	2,302
Stage One requests actioned on time	1,994
<b>% Stage One requests actioned on time</b>	<b>87%</b>
Stage Two requests actioned	2
Stage Two requests actioned on time	2
<b>% Stage Two requests actioned on time</b>	<b>100%</b>
<b>Total % of requests actioned on time</b>	<b>87%</b>

### 2.2.3 Year on Year comparison

2.2.4 The table below shows a comparison of the volume of Councillor requests received and actioned over the last three years:

Councillor Requests	2021/22	2022/23	2023/24
Stage One requests actioned	1,971	2,903	2,302
Stage One requests actioned on time	1,779	2,588	1,994
<b>% Stage One requests actioned on time</b>	<b>90%</b>	<b>89%</b>	<b>87%</b>
Stage Two requests actioned	0	2	2
Stage Two requests actioned on time	0	1	2
<b>% Stage Two requests actioned on time</b>	<b>n/a</b>	<b>50%</b>	<b>100%</b>
<b>Total % of requests actioned on time</b>	<b>90%</b>	<b>89%</b>	<b>87%</b>

### 2.3 Volume of requests per Directorate

#### 2.3.1 Councillor Stage One requests (5 working day timescale to action)

Directorate	Department	No. of requests actioned	No. actioned on time	% actioned on time	Average no. of days to resolve	Target (days)
Chief Executive's	Chief Executive Office	1	1	100%	5	5
	Customer Services	21	19	90%	2.4	5
	IT	1	1	100%	2	5
	Legal Services	15	11	73%	10	5
Communities & Housing	Building Services	97	86	89%	3.5	5
	Community Facilities	2	2	100%	1.5	5
	Community Learning & Dev.	11	11	100%	2.4	5
	Housing	426	379	89%	3.5	5
	Planning	20	19	95%	3.2	5
	Protective Services	28	24	86%	4	5
	Sports & Activity	6	4	67%	5.8	5

<b>Education</b>	Education	42	30	71%	4.5	5
	Facilities Management	9	7	78%	3.4	5
<b>Place</b>	Roads	607	583	96%	2.7	5
	Streetscene	389	319	82%	3.5	5
	Waste	253	218	86%	3.6	5
	Business Development	3	3	100%	3.3	5
	Employability	1	1	100%	5	5
	Regeneration	47	31	66%	2.6	5
	Energy/Sustainability	16	8	50%	7.6	5
	PMI	130	114	88%	3.7	5
Transport	3	3	100%	2	5	
<b>Health &amp; Social Care Partnership</b>	Children & Families	29	21	72%	3.8	5
	Health & Community Care	116	77	66%	5	5
	Mental Health	28	21	75%	5.2	5
	Support Services	1	1	100%	5	5
		<b>2,302</b>	<b>1,994</b>	<b>87%</b>	<b>3.5</b>	<b>5</b>

### 2.3.2 Councillor Stage Two requests (20 working day timescale to action)

Directorate	Department	No. of requests actioned	No. actioned on time	% actioned on time	Average no. of days to resolve Stage Ones	Target (days)
<b>Place</b>	PMI	2	2	100%	12	20
		2	2	100%	12	20

## 2.4 MP/MSP requests

2.4.1 MP and MSP requests have a set timescale of 10 working days to action and the table below details the requests actioned during the period:

	2023/24
Requests actioned	688
Requests actioned on time	509
<b>% of requests actioned on time</b>	<b>74%</b>

2.4.2 Councillor and MP/MSP requests that did not meet timescale were due to multiple factors, including:

- Administrative errors
- Employee/Officer availability for approving responses prior to issue
- Reduced resources, causing delays investigating requests
- Further information required to respond to requests (including from third parties)
- Operational pressures.

## 2.5 **Recording Councillor requests**

2.5.1 The table below shows how Councillor requests were logged throughout the year:

	<b>Volume</b>	<b>%</b>
Volume of Councillor requests recorded	2,328	
Volume logged by Councillors	1,309	56%
Volume logged by Member Services	555	24%
Volume logged via other channels	464	20%

2.5.2 Of the 1,309 requests logged by Councillors during the period, 21 Councillors used their NAC online Member accounts to log requests themselves.

## 2.6 **Issue identified regarding follow up actions for Councillor requests**

2.6.1 Members noted at a previous Audit and Scrutiny Committee that some requests that required follow up actions were being closed with no updates provided to the Members once complete, causing Members difficulties when trying to relay full closure information to their constituents. A process to address these concerns was developed and implemented late 2023 and an update on how the process is functioning will be provided to a future Committee once sufficient information for analysis has been acquired.

## 3. **Proposals**

3.1 It is proposed the Committee approves the report and recognises the Council's performance in handling Elected Member requests in relation to Section 2 above.

## 4. **Implications/Socio-economic Duty**

### **Financial**

4.1 None.

### **Human Resources**

4.2 None.

### **Legal**

4.3 None.

### **Equality/Socio-economic**

4.4 None.

### **Climate Change and Carbon**

4.5 None.

### **Key Priorities**

4.6 None.

## **Community Wealth Building**

4.7 None.

### **5. Consultation**

5.1 None.

Aileen Craig  
Head of Service for Democratic Services

For further information please contact **Aileen Craig, Head of Democratic Services**, on **(01294) 324125**.

### **Background Papers**

None





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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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**Title:** 2023/24 Complaint Report

**Purpose:** To inform the Audit and Scrutiny Committee of the Council's complaint performance and the volumes and trends of complaints received in Financial Year 2023/24.

**Recommendation:** That the Committee notes the report and the information provided.

---

**1. Executive Summary**

- 1.1 This report details complaint information relating to North Ayrshire Council during 2023/24, covering the period 1 April 2023 to 31 March 2024.
- 1.2 To allow comparisons to be made the report also details some complaint data relating to 2021 and 2022.
- 1.3 Performance is measured through a number of Scottish Public Services Ombudsman (SPSO) performance indicators, some of which have national targets.

**2. Background**

2.1 This section contains statistical information and commentary on some of the key complaint performance indicators. More information relating to the indicators can be found in the attached report. This report is being presented to Committee earlier than is usually the case and for that reason the complaints data relating to KA Leisure is not available.

**2.2 *Volume of complaints received***

<b>Year</b>	<b>Volume of complaints</b>
2021	2,827
2022	2,629
2023	1,948

2.2.1 A 26% decrease in complaints seen when comparing 2023 with the previous year.

2.3 **Complaints closed at each Stage**

	2021/22	2022/23	2023/24
<b>Stage One</b>	2,671	2,510	1,888
<b>Stage Two</b>	156	119	151

2.3.1 Although there is no national target for the number of complaints to be closed under each Stage, the Council seeks to maximise closure at Stage One as complainants receive a quicker resolution compared to Stage Two, reduces the impact on service resources and reduces the possibility of SPSO referrals.

2.4 **Complaint outcomes**

**Stage One**

Outcome	
% closed as Resolved	39%
% closed as Upheld	32%
% closed as Partially Upheld	12%
% closed as Not Upheld	17%

**Stage Two**

Outcome	
% closed as Resolved	4%
% closed as Upheld	13%
% closed as Partially Upheld	39%
% closed as Not Upheld	44%

2.4.1 Up to 31 March 2021, a complaint that meets our complaint criteria could be upheld, partially upheld or not upheld. From 1 April 2021 a fourth outcome became available to use called 'Resolved'. Resolved complaints are where the Council has taken action to address a problem or issue without making a decision on whether there were any failings (this would happen where we agree a solution with the complainant at the outset without needing to actually investigate the complaint).

2.4.2 Complaint outcome analysis can be found in the attached report.

2.5 **Average time in working days for a full response at each Stage**

Stage One	Average number of working days to close	Target
2021	4.2	5 workings days or less
2022	4.2	5 workings days or less
2023	3.8	5 workings days or less

Stage Two	Average number of days to close	Target
2021	15.4	20 working days or less
2022	14.9	20 working days or less
2023	16.8	20 working days or less

2.5.1 The average time in working days for a response under both Stages is better than the SPSO target response timescales for the last three years.

## 2.6 ***Complaints closed within timescale***

<b>Stage</b>	<b>% closed on time</b>	<b>Target</b>
Stage One	87%	80% and above
Stage Two	88%	85% and above

2.6.1 The volume closed on time includes extended complaints that met their new due dates.

2.6.2 Further details of complaints not closed on time are contained in the attached report.

## 2.7 ***Changes or Improvements made as a result of complaints***

2.7.1 Not all Services can implement improvements as a result of complaints due to a number of factors, including the feasibility of making changes and resource/budget considerations. That said, improvements were implemented in some Services and a selection are noted in the attached report.

## 2.8 **Compliments**

2.8.1 The Council received and recorded many compliments during the year. Some praised specific individuals or teams, some related to more than one Service and some were raised by employees complimenting other employees. A selection can be found in the attached report.

## 3. **Proposals**

3.1 It is proposed the Committee approves the report and recognises the Council's complaint handling performance in relation to Section 2 above.

## 4. **Implications/Socio-economic Duty**

### **Financial**

4.1 None.

### **Human Resources**

4.2 None.

### **Legal**

4.3 None.

### **Equality/Socio-economic**

4.4 None.

## **Climate Change and Carbon**

4.5 None.

## **Key Priorities**

4.6 The Two Stage Complaint Handling Procedure supports the Council's key priority of delivering more effective and efficient service provision. It demonstrates commitment through focussing on, and determining, trends for service improvement and delivery for North Ayrshire residents, customers and visitors.

## **Community Wealth Building**

4.7 None.

## **5. Consultation**

5.1 None.

Aileen Craig  
Head of Service for Democratic Services

For further information please contact **Darren Miller, Complaint Manager**, on **(01294) 322988**.

## **Background Papers**

North Ayrshire Council Complaint Report 2023/24

# North Ayrshire Council Annual Complaint Report 2023 to 2024

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## Introduction

North Ayrshire Council always seeks to deliver the best services possible to its customers and residents but it is recognised that dissatisfaction will sometimes occur. When it does, we want to know what went wrong, why it went wrong and what we can do to make things right.

The Council recognises that valuable lessons can be learnt from complaints which are defined as being expressions of dissatisfaction from members of the public about actions, or lack of actions, or about the standard of service provided by or on behalf of the Council.

The Council's complaint handling procedure (CHP) has two stages for handling complaints from the public.

**Stage One** complaints (also known as Frontline Resolution) are straightforward, non-complex complaints the Council can resolve at the initial point of contact or as close to the point of service delivery as possible. The Council has up to 5 working days to resolve these.

**Stage Two** complaints (also known as Investigations) are complaints the Council is typically unable to resolve at Stage One and needs more time to carry out further investigation. This may be because the nature of the complaint is complex, serious or high risk. The Council has up to 20 working days to resolve these.

This report details the Council's complaint handling performance covering financial year 2023 to 2024 (1 April 2023 to 31 March 2024). Performance is measured via several Scottish Public Services Ombudsman indicators (some of which have national targets) and complaint data relating to previous years has been included in certain sections to allow comparisons to be made.

Reporting complaints is a statutory requirement and is monitored by Audit Scotland.

This report has been reviewed for accessibility prior to publication.

## 1 Volume of complaints closed

The Council received 1,948 complaints during 2023 and closed 2,039.

The table below provides a breakdown of the closed complaints per Directorate:

Directorate	Volume
Chief Executive's	100
Communities & Housing	421
Education	182
Health & Social Care	113
Place	1,212
Multi-Service	11

The following tables highlight complaint volumes per Directorate under each Stage:

### Chief Executive's

Team	Stage One	Stage Two
Chief Executive Service	1	0
Customer Services	79	6
Finance	2	1
IT	4	0
Legal Services	5	2
<b>Total</b>	<b>91</b>	<b>9</b>

### Communities & Housing

Team	Stage One	Stage Two
Building Services	261	11
Community Facilities	2	1
Community Learning & Development	1	0
Housing	100	12
Information & Culture	8	2
Planning	4	3
Protective Services	14	2
<b>Total</b>	<b>390</b>	<b>31</b>

### Education

Team	Stage One	Stage Two
Education (HQ)	18	7
Education (Schools)	102	43
Facilities Management	12	0
<b>Total</b>	<b>132</b>	<b>50</b>



## Health & Social Care

Team	Stage One	Stage Two
Children, Families & Criminal Justice	27	6
Finance & Transformation	4	0
Health & Community Care	46	12
Mental Health	3	7
Support Services	6	2
<b>Total</b>	<b>86</b>	<b>27</b>

## Place

Team	Stage One	Stage Two
Community Wealth Building	0	1
Property Management	103	9
Regeneration	2	1
Roads	58	2
Streetscene	103	2
Sustainability	1	2
Waste Services	921	7
<b>Total</b>	<b>1,188</b>	<b>24</b>

## Multi-Service

Team	Stage One	Stage Two
Complaints involving more than one Service	1	10
<b>Total</b>	<b>1</b>	<b>10</b>

Although there is no target for the volume of complaints handled under each Stage, the Council seeks to maximise closure at Stage One wherever possible and 93% were handled at this Stage during the period.

Some Services handled all their complaints at Stage One.

Some Services that received higher complaint volumes than other Services handled very few complaints at Stage Two, notably Building Services, Housing, Streetscene and Waste Services due to the nature of the complaints received.

Whilst 46% of all complaints received during the year related to Waste Services (the majority being missed bin collections/assisted pullouts), the Service empties over 102,000 household waste bins each week. As this equates to approximately 4.9 million collections over the year, only 0.02% of all bins collected resulted in complaints being received. Good progress continues to be made in the service with a 31% reduction in complaints compared to the previous year and a 40% reduction when comparing complaints from 2021. Ongoing challenges remain in the service such as absence levels and these are being handled and managed appropriately.

## Year on Year comparison

The table below shows a comparison of the volume of complaints received over the last three years:

Year	Volume of complaints
2021	2,827
2022	2,629
2023	1,948

A 26% drop in complaints received when comparing 2023 with the previous year. The decrease could be partly attributable to the complaint page in the Council's website being enhanced, which now includes more information what the Council does not deem a complaint and offers appropriate routes to raise such matters.

## 2 Volume of complaints closed on time at both Stages

Stage	Percentage closed on time	Target
Stage One	87%	80% and above
Stage Two	88%	85% and above

The volume closed on time in the table above includes extended complaints that met their new due dates.

## 3 Volume of complaints not closed on time per Directorate

This section provides details of complaints not closed on time under each Stage and includes extended complaints that did not meet their new timescales.

### Stage One

#### Chief Executive's

Department	Volume
Customer Services	1
Finance	1
Legal Services	1

These complaints breached timescale because a complaint handler was unable to contact a complainant to discuss their complaint, a complaint was passed to a complaint handler who was unavailable due to sickness absence and operational pressures. Extensions could have been considered for two of these complaints given they were closed within the extra 5 working day extension allowance.

## Communities & Housing

Department	Volume
Building Services	17
Housing	9
Protective Services	1

Multiple reasons were noted as to why these complaints did not meet timescale, including delays in complaints being directed to the correct Services, awaiting information to progress complaints and employee availability. Extensions could have been considered for the vast majority of these given they were closed within the extra 5 working day extension allowance.

## Education

Department	Volume
Education (HQ)	2
Education (Schools)	8

Various reasons were provided as to why these complaints did not meet timescale, with the main reason being complainants not being available to assist with investigations.

## Health & Social Care

Department	Volume
Children & Families	1
Health & Community Care	5
Mental Health	1
Support Services	1

There were various reasons these complaints did not meet timescale, including complaint handlers, employees and/or complainants not being available to progress investigations.

## Place

Department	Volume
Property Management	3
Roads	3
Streetscene	19
Sustainability	1
Waste Services	173

Multiple reasons were given for complaints not closed on time, including complaint handlers and complainants being unavailable to progress complaints, complainants/third parties being unavailable to assist with investigations and resourcing issues (including employee availability).

Of the 199 Place complaints not closed on time, 66% could have been considered for extension as they were closed within the extra 5 working day extension allowance.

Regarding Waste Services complaints, see additional commentary in next section.

## Stage Two

### Chief Executive's

Department	Volume
Legal Services	1

This complaint breached timescale because the complainant requested a change in complaint handler. This complaint should have been considered for timescale extension.

### Communities & Housing

Department	Volume
Building Services	2
Housing	2
Planning	1
Protective Services	1

These complaints breached timescale due to various reasons, with the main reasons being employee availability and operational pressures. All six complaints could have been considered for timescale extensions.

### Education

Department	Volume
Education (HQ)	1
Education (Schools)	9

Several complaints breached timescale due to a change in senior manager and a small number breached as the complainants were unavailable. Some of these could have had their timescales extended.

### Health & Social Care

Department	Volume
Mental Health	1

This complaint breached timescale as additional checks were required at response approval stage.

## 4 Key complaint topics

Key topics for upheld and partially upheld complaints for Services are listed below. Services will not be listed if there were low complaint volumes that did not allow meaningful analysis.

### Chief Executive's

Service	Key complaint topic
Customer Services	Council tax issues
Customer Services	Employee Actions (alleged or perceived)

### Education

Service	Key complaint topic
Education (HQ & schools)	Sensitive issues relating to teachers and/or pupils
Education (HQ & schools)	Service delivery/provision
Education (HQ & schools)	Employee Actions (alleged or perceived)

### Health & Social Care

Service	Key complaint topic
All HSCP Services	Service delivery/provision
All HSCP Services	Employee Actions (alleged or perceived)

### Place

Service	Key complaint topic
Building Services	Follow Up appointments
Building Services	Quality of work issues
Housing	Estate Management
Property Management & Investment	Gas Central Heating (maintenance etc.)
Property Management & Investment	Planned Works
Streetscene	Tree/grass/verge/hedge cutting issues
Streetscene	Employee Actions (alleged or perceived)
Waste Services	Employee Actions (alleged or perceived)
Waste Services	Issues with new bin deliveries
Waste Services	Missed waste bin/assisted collections (all colours)
Waste Services	Recycle scheme issues (shortage of food waste bags etc.)

'Employee Actions (alleged or perceived)' appears as a key topic for some Services but the definition is broad and has been used where complainants either alleged or perceived employee actions or behaviour to be unacceptable. Whilst investigations may determine this is not always the case, where unacceptable behaviour was identified by Services appropriate action will have been taken to address.

## 5 Average time in working days for a full response

The average time in working days to close complaints under both Stages during the year is noted below. Values for previous years have been included to allow comparisons to be made. Any complaints that had their timescales extended have been excluded from the calculations.

<b>Stage One</b>	<b>Average number of working days to close</b>	<b>Target</b>
2021	4.2	5 workings days or less
2022	4.2	5 workings days or less
2023	3.8	5 workings days or less
<b>Stage Two</b>	<b>Average number of days to close</b>	<b>Target</b>
2021	15.4	20 working days or less
2022	14.9	20 working days or less
2023	16.8	20 working days or less

The average time to close complaints under both Stages has consistently exceeded target.

The tables below detail Services that did not meet the average time in working days for a response under either Stage. Services that met the target are not listed and any complaints that had their timescales extended have been excluded from the calculations.

### Chief Executive's

<b>Stage One</b>	<b>Average number of working days to close</b>	<b>Target</b>
Finance	13	5 workings days or less

One Finance complaint was closed on working day 21, resulting in the 5 working day average target not being met for the Service.

### Communities & Housing

<b>Stage Two</b>	<b>Average number of working days to close</b>	<b>Target</b>
Planning	23	20 workings days or less
Protective Services	45	20 workings days or less

One Planning complaint was closed on working day 47 due to employee unavailability and one Protective Services complaint was closed on working day 45 due to the complexity of the issues raised. These complaints could have been considered for timescale extension.

## Education

<b>Stage Two</b>	<b>Average number of working days to close</b>	<b>Target</b>
Education (Schools)	21	20 workings days or less

A small number of complaints were closed out with the 20 working days timescale, resulting in the target not being met. Some of these complaints could have had their timescales extended.

## Health & Social Care

<b>Stage One</b>	<b>Average number of working days to close</b>	<b>Target</b>
Mental Health	9.5	5 workings days or less

A Mental Health Stage One complaint was closed on working day 15, resulting in the target not being met.

## 6 Extended complaints

103 complaints had their timescales extended during the year (81 at Stage One and 22 at Stage Two). The complaints related to various Services across all Directorates.

There were various reasons for extending, including complainants, third parties and employees being unavailable to assist or support with investigations and/or letter approvals, obtaining additional information to support investigations and resourcing/operational issues. Of the 103 complaints that had their timescales extended, 80% were closed within their new due dates.

## 7 Complaint Outcomes

Up to 31 March 2021, a complaint that meets our complaint criteria could be upheld, partially upheld or not upheld. From 1 April 2021, a fourth outcome became available to use called 'Resolved'. Resolved complaints are where the Council has taken action to address the problem/issue without making a decision on whether there were any failings (this would happen where we agree a solution with the complainant at the outset without needing to actually investigate the complaint).

The charts below detail the number of complaints upheld, partially upheld, not upheld or resolved under both Stages.

### Stage One

Outcome	Percentage
Closed as Resolved	39%
Closed as Upheld	32%
Closed as Partially Upheld	12%
Closed as Not Upheld	17%

Of all complaints upheld and partially upheld at Stage One, just over half related to Waste Services and in particular bin collections.

55% of all Resolved complaints also related to Waste Services (again mainly missed bin collections), indicating these complainants simply wanted their bins collected without the need for investigation.

Complaints that were not upheld related to policies, regulations or were complaints that were poor quality/unfounded.

### Stage Two

Outcome	Percentage
Closed as Resolved	4%
Closed as Upheld	13%
Closed as Partially Upheld	39%
Closed as Not Upheld	44%

All Stage Two complaints that were upheld or partially upheld were split across multiple Services across all Directorates.

Of the 44% of complaints not upheld, those decisions were reached for various reasons, including the application of polices and regulations and complaints that were unsubstantiated.

Note - Partially Upheld complaints are complaints that contain more than one complaint element and at least one of them is upheld.



## 8 Improvements made as a result of complaints

Council Services continually seek to identify improvements in service delivery and complaint information is analysed regularly to inform service improvements. Some improvements were implemented as a result of complaints received during the year and a selection is noted below.

<b>What happened?</b>	<b>What we did</b>
A complaint was received about grass cutting where litter was not being removed prior to cutting, which resulted in the litter being shredded and distributed across the park.	A refresher with the team responsible was arranged to ensure they are aware of their obligations in terms of litter removal and every effort will be made in the future to ensure litter is removed prior to any grass cutting activities.
A tenant encountered problems when radiators were incorrectly fitted and applied for a disturbance allowance payment for the inconvenience.	An apology was offered and the matters addressed. Discussions then took place between the Council and the contractor regarding the importance of replacing fixtures like for like as far as is practical and to rectify errors in a timeous manner. The processing of disturbance allowance payments is also being monitored more closely to minimise inconvenience to tenants.
A trader encountered problems when completing and returning a paper application to obtain a licence, including the incorrect fee being paid as the fees listed on the Council's website were out of date.	An apology was offered for the inconvenience caused, the application processed and licence granted. The Council is in the process of placing the application form online to help speed up the process and the appropriate webpage has been updated with the correct fees.
A resident changed their bank details and experienced problems trying to change their Council Tax Direct Debit details to the new account.	An apology was offered to the complainant and the Direct Debt set up. The complainant asked if there could be an online option to amend the bank details for Council Tax rather than just an option to set up a new one each time. The service is currently considering this feedback.
A visitor to a Recycle Centre encountered problems in terms of parking at the site due to excessive public use of the site that day.	An apology was offered to the visitor for the problems encountered. The site has been upgraded to accommodate a larger volume of people wanting to recycle and a daily update was placed on the internet regarding footfall at the site to reduce disruption.

## 9 Compliments

Over 230 compliments were recorded cross-Council during the year and whilst they cannot all be highlighted in this report, a selection is noted below.

- *“I just wanted to let you know how impressed I am with the **Recovery Development Worker**. Yesterday was the first time I spoke with him and I was really struck by his high level of motivation, honesty and very obviously genuine desire to help and support people. He is like a breath of fresh air. We don’t give positive feedback often enough so wanted to let you know”*
- *“I’ve had an issue regarding arranging a special uplift and made a number of calls to your **Contact Centre**. Every time I called your operators were very helpful and considerate. They’ve to be commended because every time they answer a call they don’t know what that call is going to be about and have to rely on their considerable knowledge to try and answer or resolve it”*
- *“Thank you to **Waste Services** for following up on a complaint I made about my waste bins being missed. They have not been missed since so thank you!”*
- A number of people have complimented the **Licensing Team** regarding their help and support regarding a short term let process for a number of hosts
- *“I just want to highlight how fantastic the team at **Ardrossan Library** are. They go out of their way to show a welcoming, friendly environment. The time and effort they put in with kids (and adults alike) at the Monday toddler club is just brilliant. The kids look forward to it all week long”*
- *“To the staff at **Bartonholm Recycling Centre**, every time I go there I see them out helping folk get their discarded stuff away safely. And it’s always done with a smile. It must be a tough job in all weathers but they’re still so cheery and polite! Good on you, guys. You could deliver lessons in customer care!”*
- *“I recently wrote to you regarding the little garden area outside Largs station. I was absolutely delighted to see that the area has been cleared of weeds and litter and bedding plants have been planted. It all looks really pretty so thank you to **Streetscene** who carried out the planting. What a difference it makes”*
- *“I recently made a complaint to your **Property Management** department about some issues with scaffolding. Just wanted to say it got fixed immediately and you even fixed up the gate. Thank you to whoever came out to fix it. Absolute brilliant job”*
- Exceptional feedback received for the **Universal Early Years service** which has resulted in an employee being invited to present at a European Conference on infant feeding.
- *“My family and I like everything your **Refugee Team** does for us Ukrainians. Just want to say big thank you for everything. Incredible attitude towards us and everything is easy and simple”*

## 10 Glossary

### Terms & Explanations

#### Stage One

Stage One (also known as Frontline Resolution) aims to resolve straightforward customer complaints that require little or no investigation. Any employee may deal with complaints at this stage and they can be resolved via any channel. The main principle is to seek resolution at the earliest opportunity and as close to the point of service delivery as possible.

Stage One complaints must be responded to within 5 working days unless an extension (a maximum of 5 additional working days) is requested and approved by a senior manager or above. The Council should, however, always aim to resolve these types of complaints within 5 working days.

#### Stage Two

Not all complaints are suitable for Stage One and not all complaints will be satisfactorily resolved at that stage. Complaints therefore handled at Stage Two (also known as Investigations) typically require a detailed examination before the Council can state its position. These complaints may already have been considered at Stage One, or they may have been identified from the outset as being complex, serious or high risk and needing immediate investigation.

Stage Two complaints must be responded to within 20 working days unless an extension is approved by senior manager in conjunction with the customer. Stage Two complaints require a written response, signed by a senior manager.

#### Complaint criteria

When an expression of dissatisfaction is received the Council determines if the issue falls into one (or more) six complaint categories:

- A service the Council should be providing is not being provided or is not available
- A request for a service was provided but not to an appropriate standard
- A request for service has not been answered or actioned within the agreed timescale
- A Council employee was rude, unhelpful or unprofessional
- A Council employee did not attend an appointment or call-out on a date/time agreed
- The complaint relates to a policy (internal or external)

If the issue being raised relates to one or more of the above, the matter is considered a complaint and will be recorded and handled as such. If not, the matter will be handled as a request for a service, observation or enquiry and actioned accordingly.



## NORTH AYRSHIRE COUNCIL

30<sup>th</sup> May 2024

### Audit and Scrutiny Committee

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**Title:** Code of Corporate Governance Statement 2024/25

**Purpose:** To seek approval of Code of Corporate Governance Statement for the Financial Year 24/25

**Recommendation:** That the Audit and Scrutiny Committee agrees to: (a) Review and approve the Code of Corporate Governance Statement 2024/25.

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#### 1. Executive Summary

1.1 This report provides details of how we ensure good governance, including clear accountability for delivering the desired outcomes for service users and communities. Appendix 1 provides our 'Code of Corporate Governance Statement 2024/25'.

#### 2. Background

2.1 All local authorities have a statutory requirement to report publicly on the extent to which they comply with their own Code of Governance on an annual basis, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year and considered planned changes in the coming period.

2.2. The 'Delivering Good Governance in Local Government Framework' (CIPFA/Solace 2016) applies to annual governance statements. It helps local government take responsibility for developing and shaping an informed approach to governance and aims to achieve the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach.

2.3. The overall aim is to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

2.4. Appendix 1 contains our Code of Corporate Governance Statement 2024/25 which aligns to the Framework and demonstrates how we are ensuring good governance and transparent accountability.

### **3. Proposals**

3.1 The Audit and Scrutiny Committee is requested to (a) Review and approve the Code of Corporate Governance Statement 2024/25.

### **4. Implications/Socio-economic Duty**

#### **Financial**

4.1 None.

#### **Human Resources**

4.2 None.

#### **Legal**

4.3 None.

#### **Equality/Socio-economic**

4.4 None.

#### **Environmental and Sustainability**

4.5 None.

#### **Key Priorities**

4.6 Effective governance is key to delivering our priorities outlined within our Council Plan 2023-28, specifically the Sustainable Council priority.

#### **Community Wealth Building**

4.7 None.

### **5. Consultation**

5.1 The Executive Leadership Team were involved in the creation of the Code of Corporate Governance.

**Aileen Craig**  
**Head of Service (Democratic)**

For further information please contact **Isla Hardy, Team Manager (Corporate Policy and Performance)** on **01294 324035**.

### **Background Papers**

None.







# Code of Corporate Governance 2024/25



North Ayrshire Council  
Comhairle Siorrachd Àir a Tuath

## Delivering Good Governance in Local Government – 2024/25

This document details how North Ayrshire Council complies with the [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016).

The Framework supports local government to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. It assists authorities individually in reviewing and accounting for their own unique approach. The overall aims ensure:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources in order to achieve desired outcomes for our service users and communities.

The Framework applies to annual governance statements prepared for the financial year 2016/17 onwards.

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### For further information please contact:

The Corporate Policy, Performance and Elections Team  
North Ayrshire Council  
Tel: 01294 310000  
Email: [NorthAyrshirePerforms@north-ayrshire.gov.uk](mailto:NorthAyrshirePerforms@north-ayrshire.gov.uk)

## A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

### Demonstrating strong commitment to ethical values

- New Elected Members are provided with a full Induction Programme which includes all aspects of conduct. There is an extensive programme of inductions at the outset of the new Council Administration. Thereafter, sessions are provided on a regular basis.
- All Elected Members have access to Continuing Professional Development discussions and the opportunity to participate in self/360 assessments to review and support their ongoing development. In addition to this, a series of development events are provided to further support Elected Members' Development. A calendar of events on a variety of topics is arranged and promoted to Elected Members. Online guides and e-learning are also available.
- All employees including Chief Officers participate in 'Our Time to Talk' personal performance discussions which provide the opportunity to discuss the focus of work, how this will be done (behaviours linked to our Staff Values) and what development is required to support this. This is an annual discussion which can be supported throughout the year by 121/supervision discussions and a mid-year review as required.
- The Council invests in leadership and management development by hosting a Leadership Academy. This provides aspiring, first, middle and strategic leaders, including Chief Officers and Elected Members, with a variety of development interventions which enhance, refresh and develop their skills, knowledge and behaviour.
- There is a [Code of Conduct for employees](#).
- [The Code of Conduct for Councillors](#) sets out the minimum standards of conduct that are expected from Elected Members and provides advice and guidance on registerable interests and on the declaration of interests. The Code also sets out the sanctions that can be applied by the Standards Commission where a breach of the Code occurs. Elected Members are provided with quarterly updates from the Standards Commission.
- The Local Government Act 2000 and the Code of Conduct for Councillors set out the categories of interests, financial or otherwise, that Councillors of Scottish Local Authorities must register. This register is available for inspection by members of the public. In compliance with the Act and relevant Regulations, the 33 Elected Members of North Ayrshire Council have registered interests with the Proper Officer of the Council. The Register of Interests and notifications of Declarations of Interest are available for inspection. Reports on Elected Member Training are submitted to the Executive Leadership Team (ELT) and on an annual basis to the Audit and Scrutiny Committee.
- The Council has approved Guidelines for Member-Officer Relations (incorporating the Protocol on Member/Officer Relations from the Councillors' Code of Conduct). This is subject to annual review as part of the Council's review of governance documents.
- Declaration of Interest is a set item on all Committee Meeting Agendas. This is to be completed by all Elected Members, informing of any issues in which they may benefit.
- There is a Whistle Blowing policy in place for employees, this was reviewed in 2020 and again in 2022 in line with accessibility requirements.
- A Media Protocol is in Place.

- The People Strategy, “Our People Connect”, was designed by our employees for our employees. This outlines priorities that will engage and support the transformation of the Council to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- Our Staff Values of Focus, Passion and Inspiration are key to our People Strategy “Our People Connect”. They are now fully embedded in everything we do each day and visible when logging onto a laptop or desktop, poster or wall displays, lanyards etc. In addition to this they are embedded in our recruitment process and throughout our development interventions (such as courses and “Our Time To Talk” personal development review discussions).

## Respecting the rule of law

- Strategic decision-making is governed by the Council’s key constitutional documents which are subject to regular review. The governance documents were approved by Council in May 2022 and reviewed in May 2023 and are scheduled for review in May/June 2024. The key documents are the Scheme of Administration, The Standing Orders for Meetings and Proceedings of the Council, the Standing Orders relating to Contracts and Contract Procedure Rules and the Scheme of Delegation to Officers.
- The Council’s Cabinet is the key strategic decision-making committee, comprising the Leader of the Council, the Depute Leader and four Members of the Administration.
- The roles and responsibilities of the Council’s Audit and Scrutiny and Appeals Committees are set out in the approved Scheme of Administration.
- The Head of Service (Finance) is appointed as the Section 95 Officer who is responsible to the authority for the proper administration of financial affairs as stated within the Local Government (Scotland) Act 1973.
- The Head of Service (Democratic Services) is appointed as the Monitoring Officer.
- The Head of Service (Democratic Services) is appointed as RIPSAs Senior Responsible Officer (SRO). The SRO ensures compliance with the terms of The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSAs) and associated legislation.
- The Chief Social Work Officer is appointed in accordance with Section 3 of the Social Work (Scotland) Act 1968.
- The Council has appointed a Chief Planning Officer.
- The Head of Service (Education) is appointed as Chief Education Officer in anticipation of the commencement of Section 25 of the Education (Scotland) Act 2016.
- The Revised Remuneration Policy Guidance is in place.
- The Counter Fraud and Corruption Strategy is in place.
- A Data Protection Officer (DPO) is appointed. The DPO ensures compliance with the General Data Protection Regulation (2018) and the Data Protection Act (2018) legislation.

## B. Ensuring openness and comprehensive stakeholder engagement

### Openness

- [Our Council Plan 2023-28](#) was approved by Council on 21<sup>st</sup> June 2023 and sets out our strategic approach to making North Ayrshire a fairer and more equal society. This sets out our vision, mission and four priorities up to 2028.
- We have 26 Council Plan Performance Indicators to ensure that progress on the Council Plan is managed and scrutinised. Targets have been set where appropriate for each of the indicators to ensure we can monitor progress of our priorities. Progress on the Council Plan is also scrutinised through the half yearly Council Plan Progress Reports sent to the ELT, Cabinet and the Audit and Scrutiny Committee. These are published on the performance pages of our [website](#). In addition, summary reports are scrutinised by the ELT at Quarter 1 and Quarter 3.
- Council Plan actions are high-level five-year actions as listed within the Council Plan 2023-28 and are supported by relevant strategies.
- The Council's Annual Performance Report provides a summary of our performance during the year and is available on our [website](#).
- Financial information including annual accounts is published on our website.
- Our Annual Governance Statement is approved annually by the Audit and Scrutiny Committee and published on our website.
- Our Performance Management Strategy 2023-28 aligns to our Council Plan and is published on our website. It outlines current procedures and planned activities to drive continuous improvement for the people of North Ayrshire.
- Our Children's Services Planning includes our Children's Rights Report and our Child Poverty Action Plan 2023-26. Our Children's Services Plan outlines our aims and priorities to safeguard, support and promote the well-being of children and to make North Ayrshire the best place in Scotland to grow up. Our Children's Rights Report emphasises our commitment to promote and protect children and young people's rights in line with the UN Convention on the Rights of the Child (UNCRC). Our Child Poverty Action Plan takes account of the actions we are taking with partners to address child poverty in North Ayrshire. Progress is reported to the Children's Services Strategic Partnership (CSSP), Integrated Joint Board and North Ayrshire Council Cabinet.
- Links to [My Local Council website](#) are published which provide our residents with Local Government Benchmarking Framework (LGBF) performance information and comparisons to other local authorities. Information on our performance within the LGBF is included within our suite of public performance reporting, in particular within our annual LGBF report published as part of the Council Plan Year-End Progress Reporting.
- There is a presumption that all committee business is open to the public except where required by law to be in private. Council/Committee meetings which are open to the public are also live streamed to the internet and/or available to view as a recording following the meeting. Owing to the pandemic, Committee meetings resumed on a remote basis from June 2020 and since then both Council and Committee meetings have been streamed live with recordings available for viewing thereafter. The Council meeting in September 2022 agreed that "hybrid meetings" should be the default position for meetings whereby some Members attend the meeting in person and others may join remotely. This improves accessibility and participation. A hybrid meetings protocol is in place.



- Through our commitment to the Community Empowerment (Scotland) Act 2015, the Council's [Community Planning website](#) has been developed to share information and research about the work of the Community Planning Partnership, Locality Planning, our key aims and objectives and align with the requirements of the Act.
- The Council has separate schemes for reporting complaints, compliments and customer feedback.
- Two complaint reports are submitted to the Audit and Scrutiny Committee each year and trends or issues fed back to services to identify improvements. Complaint handling performance is also recorded regularly in Pentana. The Council has a dedicated Complaints Manager who supports Chief Officers, Senior Managers, Elected Members, complaint handlers and acts as liaison with the Scottish Public Services Ombudsman.
- All inspection reports are reviewed by Cabinet and the Audit and Scrutiny Committee.
- The Council's Publication Scheme and guidance on submitting Freedom of Information and Environmental Information requests are available on the Council's website.
- Guidance on submitting Subject Access Requests is available on the Council's website.
- Open Data is published on the Council's Open Data Portal, allowing members of the public to access information on various council services ranging from information such as location of libraries to performance related matters such as contact centre call performance.
- Elected Members have access to data on Pentana on request allowing them to view progress of the Council Plan indicators.

## Engaging comprehensively with institutional stakeholders

- The Council is committed to engaging in a meaningful way with its communities so that it can understand and respond effectively to local needs and it is committed to the principles of the National Standards on Community Engagement.
- The Community Planning Partnership works closely with the Consultation Institute. Accredited training on best practice in community engagement and consultation has been given to a range of Council and partner employees.
- The Council is committed to supporting the establishment and work of Community Councils and their role in Locality Partnerships as well as supporting Locality Planning in its own right as the Council's scheme of decentralisation.
- The Community Planning Partnership website contains The Engagement Hub and a consultation calendar which brings all partner consultations together in a searchable format and gives feedback on consultations.
- The Community Engagement Network of the Community Planning Partnership has been refocused and aims to ensure partners meet the revised National Standards for Community Engagement.
- The North Ayrshire Health and Social Care Partnership Integration Joint Board (IJB) is the governing body of the North Ayrshire Health and Social Care Partnership. It has delegated responsibilities from North Ayrshire Council and NHS Ayrshire and Arran.

## Engaging with individual citizens and service users effectively

- The Community Planning Partnership's People's Panel is issued to obtain the public's views on a range of issues. The People's Panel is a sample of 1,000 people living in more deprived areas and 1,000 residents in less deprived areas. This survey is carried out every two years to obtain views on the Community Planning Partnership's three key priorities, in addition to surveys on particular issues. Engagement and consultation is at the heart of the Community Planning Partnership and is driven through the Engagement Centre of Excellence Programme which includes training, digital resources, and links to key strategies and approaches. For example, the Youth Participation and Citizenship Strategy, Older People's Forum and Community Engagement Network are all key examples of this work. There is now an online 'Engagement Hub' on the Community Planning website, comprising of an online engagement list, events calendar, community and partner resources and information about the CPP's Participation Approach.
- The Council routinely engages with our residents on our services. This is also achieved through a range of groups such as Parent Councils, Tenants Associations, Ayrshire Ethnic Minority Community Association and the Access Panel.
- The establishment of Locality Partnerships has made Community Planning more accessible to local people.
- Increased use of social media through Locality Facebook pages, the Community Planning Partnership Twitter account and partner use of Community Planning hashtag supports communication with a wider audience.
- Participatory Budgeting is an approach to deepening engagement with residents which delivers real influence for individuals and communities and the Council has made significant commitment and investment in this work.
- The North Ayrshire Community and Locality Planning Model extends and deepens engagement with individuals and participation by communities by: co-defining the issues; co-producing the responses; and co-delivering the solutions.
- We currently use the Consul application to run Shaping North Ayrshire, our online participation forum allowing residents the opportunity to provide us with feedback on current topics.
- Application of the Place Standard allows individuals and communities to express how it feels to live in local communities and to shape the development of community and spatial planning in their area.
- Customer satisfaction surveys are carried out by Customer Services on a regular basis to measure satisfaction levels and receive comments in relation to the service provided. A report is produced and analysed by our Complaints Manager in conjunction with our Senior Manager (Customer Services) and is used to form an improvement action plan.

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

### Defining outcomes

- The Council's vision and mission outlined in [Our Council Plan 2023-28](#) links strongly to the North Ayrshire Community Planning Partnership's (CPP's) shared vision of 'North Ayrshire – A Better Life'.
- Our Council Plan 2023-28 was approved by Council in June 2023. Our vision and mission in Our Council Plan are:
  - Vision: 'A North Ayrshire that is fair for all'
  - Mission: 'Working together to improve the lives of our people in North Ayrshire'
- Our Council Plan has four interlinked and interdependent priorities:
  - Wellbeing – to transition to a wellbeing economy, delivering prosperity, wellbeing and resilience for local people.
  - Communities and Local Democracy – We will have active, inclusive and resilient communities.
  - Climate Change – To achieve net zero by 2030.
  - A Sustainable Council – A community Wealth Building Council that is efficient and accessible, maximising investment and focusing resources towards our priorities.
- The role of the Audit and Scrutiny Committee and ELT/ Chief Officers Leadership Team is to scrutinise the findings from the various performance reports. We regularly report on the following to ensure effective scrutiny:
  - Locality Outcome Improvement Plan (LOIP) Progress Reports.
  - Locality Partnership progress reports.
  - Council Plan Progress Reports - six monthly reports to Cabinet and the Audit & Scrutiny Committee.
  - Council Plan Annual Performance Report.
  - Local Government Benchmarking Framework.
- As part of the recent self-evaluation work undertaken by the Audit and Scrutiny Committee, a standing agenda item to cover areas which the Committee would like to have addressed has been added to the committee agendas.
- We utilise the Pentana online performance management system to track and manage Council priorities and measures.
- The Council Plan Performance Management Framework (PIs) is reviewed regularly. The Council Plan actions are as published within the Council Plan 2023-28 and are high level actions over five years. They are supported by strategies within the Council.
- Operational Plans are reviewed on an annual basis.
- Strategic risks and control factors are reported to Cabinet.



## Sustainable economic, social and environmental benefits

- The Community Wealth Building Strategy has been refreshed for 2024-27 and is available on our [website](#). Community Wealth Building is central to our Council Plan 2023-28.
- Our Local Outcomes Improvement Plan's clear focus has been agreed by Community Planning partners across themes of Wellbeing, Work and World with an overarching focus on reducing inequalities and working in partnership.
- The Sustainable North Ayrshire Strategy 2024-27 is established.
- The Local Biodiversity Action Plan 2019-31 is in place.
- The Climate Change Steering Group established, comprising senior management representatives from each Council Directorate, Community Planning Partners, private sector and other agencies, with meetings taking place every four months.
- The Annual Climate Change Reporting Duty is submitted to Scottish Government.
- Our Council Plan includes performance indicators in relation to carbon emissions and amount of energy generated from low carbon sources.
- Our Committee report template includes requirement for evaluation of climate change impacts to ensure sustainability impacts are embedded within our decision-making processes.
- The Council is committed to using the Local Government Benchmarking Framework (LGBF) Performance Indicators to scrutinise performance on our priorities against all local authorities within Scotland.
- The Housing and Public Protection Service complies with the Scottish Regulators Strategic Code of Practice. The integrated regulatory functions within the service (Building Standards, Environmental Health and Trading Standards) can demonstrate an effective contribution towards the Council's approach to sustainable economic growth as well as maintaining and promoting a prosperous, fair and safe society.

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

### Determining interventions

- The information submitted to Committees is discussed in detail at ELT to ensure management oversight and thereafter at pre-Agenda meetings (except in the case of regulatory committees) that are held one week prior to the formal meetings. This enables any additional information to be sought to allow a fully informed decision to be taken at the Committee.
- Each report should indicate the justification for each action proposed and consultations undertaken in its development, together with feedback from consultees. Reports also contain separate sections on a range of implications (financial, socio-economic duty, human resources, legal, equality, children and young people, sustainability, Community Wealth Building, the Council's key priorities and Community Benefit). Guidance for Report Authors provides information on the completion of these elements within these required fields in a committee report.

## Planning interventions

- Council Plan six monthly progress reports.
- Operational Plan reports to Heads of Service and Executive Directors.
- Use of Pentana online performance management system allows us to ensure we are achieving acceptable levels of performance, identify opportunities for continuous improvement and ensure we have plans in place to improve underperforming areas.
- Council and Operational Plan performance reports contain trend information on Performance Indicators.
- Strategic risks and control factors are reported to Cabinet.
- Risk Management Strategy is in place and available on our website.
- The Community Planning Partnership Risk Register has been reviewed to reflect the refreshed Local Outcomes Improvement Plan 2022-30.
- The Workforce Strategy, 'our approach to workforce planning', sets out how our workforce will support the delivery of the Council's ambitions within the available financial resources and builds on the workforce planning approach carried out at a service level.
- 'A Workforce for the Future' HR guide sets out our Workforce Planning approach and is published on our intranet to support managers and Heads of Service in shaping their current and future workforce to ensure delivery of efficient and effective services and is a significant factor in how we transform our Council to deliver our financial challenges. In order to be successful, it is key for workforce planning to flow from the Council Plan and link to both people management and operational processes.
- Long Term Financial Outlook – The Council's Long-Term Financial Outlook outlines the financial challenges facing the Council over the next 10 years and is reported to Cabinet.
- Medium Term Financial Plan – The Council's Medium-Term Financial Plan provides an overview of the Council's anticipated financial position for the next three financial years. This is approved by Council annually. A copy of the budget book is published on our website each year.
- Capital Investment Programme – The Council's Capital Investment programme provides an overview of the capital projects the Council is investing in over the 10-year period and associated funding sources. The 10-year Capital Investment Programme is reviewed and approved by Council annually. (A review of the 10-year General Services Capital Investment Programme 2023/24 to 2030/31 was presented to Council on 1 March 2023.)
- Capital Investment Strategy – The Council's Capital Investment Strategy provides an overview of how capital investment plans, financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of North Ayrshire communities and citizens. (The refreshed Capital Investment Strategy 2023 – 2031 was approved by Council on 1 March 2023. Our Capital Investment Programme can be found on our [website](#))
- Asset Management Plans are in place.

## Optimising achievement of intended outcomes

- Regular reporting of financial performance to Cabinet.
- Production of annual accounts and publication on our [website](#).
- Local Financial Returns.

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

### Developing the entity's capacity

- The Leadership Academy provides skills, knowledge and behavioural development for leaders at all levels. Managers regardless of grade can, if committed to their continuous learning and supported by their manager, progress through the levels of the Leadership Academy from First to Strategic utilising development opportunities and accessing tailored interventions for career progression. This provides an opportunity to build leadership capacity and grow our own talent.
- The Connected Leadership Network is an active Teams channel which provides an opportunity for senior managers to gain support from others as well as sharing knowledge, ideas and suggestions. This has been a successful addition to the Leadership Academy and supports the digital agenda.
- The Chief Executive hosts a Connected Leadership Conference three times per year. This provides an opportunity for sharing of information and increased engagement and collaboration opportunities with managers from across the Council.

### Developing the capability of the entity's leadership and other individuals

- Each employee has a Role Profile which provides information on the expectations of the job. This supports the development of skills, knowledge and behaviours of our employees.
- All governance documents including the Scheme of Delegation to Officers and the Financial Regulations documents are reviewed annually and published on our website.
- All employees throughout the Council participate in "Our Time To Talk" performance review meetings which provide the opportunity to discuss the focus of work. It ensures managers and employees take time, at least once per year, to reflect and most importantly 'TALK' about how the employee is getting on at work. This is an annual discussion which can be supported throughout the year by 121/supervision discussions and a mid-year review as required.
- New Elected Members are provided with a full Induction programme which includes all aspects of Council business, such as overview of Council meetings, introduction to the ELT and the role of the councillor.
- A series of development events are provided to further support Elected Members Development. A calendar of events on a variety of topics is arranged and promoted to Elected Members, in addition to online guides and e-learning.

- Elected Members are invited to participate in an annual development discussion in addition to an opportunity to participate in self/360 assessment. This allows identification of development activity to support their role and provides feedback on their individual performance utilising the 360 tool.
- The Community Planning Partnership’s Learning and Development Plan contains leadership development.

## F. Managing risks and performance through robust internal control and strong public financial management

### Managing risk

- The Strategic Risk Register refreshed annually and approved by Cabinet, and subject to a six-month progress update. A Corporate Risk Register is refreshed annually and approved by the ELT and also subject to a six-month progress update. Operational Risk Registers are updated by services six-monthly. There are escalation and de-escalation processes in place between the registers.
- The Corporate Risk Management Group, with senior representation from all Directorates, meets six-monthly to review and update risks and their associated risk management action plans. Other related business will also be considered where this could enhance the organisational risk posture.
- The Community Planning Partnership Risk Register was revised in 2022 to tie in with Local Outcomes Improvement Plan 2022-30.

### Managing performance

- Council Plan Progress Reports are scrutinised by the ELT, Cabinet and the Audit and Scrutiny Committee. The reports are produced in a ‘magazine style’ format to make the information as engaging and accessible as possible.
- Performance indicators (including targets where appropriate) and actions are included within the Council Plan Performance Framework and Council Plan. All updates to the framework are detailed within the six-monthly Progress Reports and reported to ELT, Cabinet and Audit and Scrutiny for full transparency.
- The six-monthly Council Plan Progress Reports focus on outcomes as well as ongoing activity and outputs. Case studies are included. Information on audits, inspections and accreditations is included to show how we performing. Benchmarking activity takes place via the LGBF indicators included in the Performance Management Framework and the annual LGBF report. This ensures we learn from others and continually improve. Links are provided to additional information where appropriate. This holistic approach provides a well-rounded view of performance within our Council that includes valuable context.
- The six-monthly Council Plan Progress Reports (Quarters 2 and 4) as well as the Annual Performance Report and update on Local Government Benchmarking Framework (LGBF) performance are published on our website. Scrutiny is invited from residents and contact information is contained in the reports.
- Operational Plans within services align directly to the Council Plan and are scrutinised by relevant Senior Managers and Heads of Service.

- Benchmarking activity is undertaken based on the Local Government Benchmarking Framework (LGBF) as well as through specific groups. In addition to quantitative comparisons, outcome-based benchmarking also takes place.
- Our Performance Management Strategy 2023-28 is published on our [website](#) and aligns to Our Council Plan 2023-28.

## Robust internal control

- The Council has a framework of Internal Controls embedded within services, underpinned by Financial Regulations and Codes of Financial Practice which are approved by the Council.
- Internal Audit establishes an annual risk-based plan of work to review controls across the Council. This is approved by the Audit and Scrutiny Committee and is subject to a mid-year review process.
- All audit findings are reported to the Council's Audit and Scrutiny Committee.
- The Council has a Corporate Fraud Team which investigates all allegations of fraud and error against the Council. Six-monthly update reports are provided to the Audit and Scrutiny Committee. Regular review of the Counter Fraud and Corruption Strategy is undertaken, with the most recent review taking place in September 2022.
- An annual report and assurance statement is provided by the Chief Internal Auditor to the Audit and Scrutiny Committee.
- An annual report on RIPSAs is provided to ELT and Cabinet and we provide an annual statistical return on use of investigatory powers to Investigatory Powers Commissioner's Office (IPCO).

## Managing data

- The Council's Records Management Plan (RMP) was approved by the Keeper of the Records of Scotland in 2015 and a successful interim assessment conducted in 2018, with the outcome report published on the Council website. A further successful interim assessment has been conducted in 2022/23 and the outcome will be uploaded to the Council website once released by the National Records for Scotland.
- The Council maintains an Information Asset Register (IAR) which is kept under regular review.
- The Council has a process for undertaking Data Protection Impact Assessments (DPIA) with approval required from DPO and annual reviews embedded to ensure compliance with Article 35 of the UK GDPR.

## G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

### Implementing good practice in transparency

- We publish our public facing reports on our website.
- Committee Reports and webcasting is on our website.
- There is a presumption that all committee business is open to public except where required by law to be in private.
- We publish open datasets.

### Implementing good practices in reporting

- Annual Governance Statement.
- Six monthly Council Plan Progress reports and Annual Performance Reports produced, with updates to accompanying Performance Management Framework reported in detail to the ELT, Cabinet and the Audit and Scrutiny Committee.
- Community Planning Partnership Annual Performance Report.
- Health and Social Care Partnership Annual Performance Report.
- Annual Accounts demonstrates best practice according to external auditors.

### Assurance and effective accountability

- The Annual Governance Statement is approved by the Audit and Scrutiny Committee prior to inclusion within the annual accounts.
- Any recommendations by External Audit are reported to the Audit and Scrutiny Committee and progress with implementation is monitored by Internal Audit and also report to the Committee on a bi-annual basis.
- Internal Audit work is reported to the Audit and Scrutiny Committee on a quarterly basis.
- The Council's Internal Audit Team received an independent External Quality Assessment in July 2022 which demonstrates conformance with the Public Sector Internal Audit Standards. This needs to be carried out at least every five years, with period self-assessments also carried out by the Chief Internal Auditor.
- The Chief Auditor has rights of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee in relation to any audit matter.
- The Data Protection Officer has rights of access to the Chief Executive and the highest management in relation to any personal/sensitive data protection matters.

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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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**Title:** **Accounts Commission’s Report: Local Government in Scotland: Financial Bulletin 2022/23**

**Purpose:** To inform the Audit and Scrutiny Committee of the findings of the recently published report.

**Recommendation:** That the Committee i) notes the findings of the recent Accounts Commission report, and (ii) notes the current position of North Ayrshire Council in relation to the findings.

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**1. Executive Summary**

1.1 The Accounts Commission published its 2022/23 local government finance bulletin in January 2024. The report provides a high-level independent analysis of the financial performance of local authorities during 2022/23, including funding and expenditure for 2022/23, financial position at the end of 2022/23 and the financial outlook from 2023/24. A link to the report is attached below:

[Local Government in Scotland: Finance Bulletin 2022/23](#)

1.2 The report analyses the annual accounts produced by local authorities, together with the reports of each body’s external auditors, to identify their relative performance, highlight the challenges faced and assess their responses to these challenges. The report has a summary of key messages and recommendations, with more detail provided in two parts:

- Part 1 – Funding and outturn in 2022/23; and
- Part 2 - Councils’ financial position and outlook from 2023/24.

1.3 Appendix 1 provides relevant North Ayrshire Council feedback on each of the key messages identified.

**2. Background**

2.1 The report provides a high-level independent analysis of the financial performance of local authorities during 2022/23, including funding and expenditure for 2022/23, financial position at the end of 2022/23 and the financial outlook from 2023/24.

2.2 A summary of the key messages and recommendations is provided within the report with further information provided in 2 main sections:

- Part 1 – Funding and outturn in 2022/23; and
- Part 2 - Councils' financial position and outlook from 2023/24.

2.3 The key messages within the report are summarised below:

- Scottish Government revenue funding to councils fell by £619m (2.8%) in real terms;
- Councils received more core revenue funding, increasing by £87m (0.7%) in real terms. However, an increasing proportion is ring-fenced or provided with the expectation it will be spent on specific services;
- Pressure on public-sector capital budgets presents risks to the viability of local government capital programmes;
- Councils' anticipated budget gaps for 2022/23 were over £476m with increased reliance on savings and reserves to balance budgets;
- Overall usable reserves grew to £4.45 billion with half of councils reporting increases in 2022/23;
- Although no council has been identified as unstable in the short term, Scottish councils face unprecedented financial and demand pressures;
- While councils' medium and long term financial plans recognise the difficult financial context, some are experiencing significant resistance when seeking service reductions to balance budgets; and
- The Verity House Agreement includes a commitment to offer councils longer term funding and greater local financial flexibility.

2.4 The key recommendations indicate that councils should:

- Prioritise the achievement of recurring savings and avoid reliance on non-recurring savings;
- Ensure that management commentaries include a clear link between the budget outturn and the financial performance in the accounts;
- Provide clear statements on reserves policies and the purposes of committed reserves;
- Ensure effective engagement with communities on the options to achieve a balanced budget;
- Report on financial resilience, including use of financial resilience indicators within medium and long term financial plans; and



- Work with the Scottish Government to develop a fiscal framework to enhance clarity and certainty of future years' budgets.

### **3. Proposals**

- 3.1 It is proposed that the Committee i) notes the findings of the recent Accounts Commission report, and (ii) notes the current position of North Ayrshire Council in relation to the findings.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 The Accounts Commission report highlights the reliance of local government on Scottish Government grant funding and the need for the development of robust medium and longer term financial plans to develop sustainable solutions to bridge anticipated future funding gaps. North Ayrshire Council develops medium term financial plans on a three year rolling basis and Council has approved a Long Term Financial Outlook covering the next 10 year period. The financial sustainability of the Council is monitored regularly and reported to Cabinet throughout the year.

#### **Human Resources**

- 4.2 As part of a sustainable financial strategy the Council continues to actively manage the size of its workforce. Regular communication and consultation takes place with the workforce and Trade Unions.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 Equality impact assessment are carried out for all options identified as part of the medium and long term financial plans.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 In addressing the financial challenges which it faces, the Council seeks to minimise the impact on delivering its key priorities.

#### **Community Wealth Building**

- 4.7 None.

## **5. Consultation**

- 5.1 Executive Directors are consulted in the development of the Medium and Long term Financial plans and the development of investment and recovery and renewal strategies.

**Mark Boyd**  
**Head of Service (Finance)**

For further information please contact **David Forbes, Senior Manager (Strategic Business Partner)**, on **01294 324551** or **DavidForbes@north-ayrshire.gov.uk**.

### **Background Papers**

None

## Local Government in Scotland Financial Bulletin 2022/23

## Part 1 Funding and outturn in 2022/23

Ref	Key Message	NAC Feedback
F1	Despite councils receiving more funding and income in cash terms, due to high inflation in 2022/23 total revenue funding from all sources fell by £619 million (2.8 per cent) in real terms to £21.3 billion compared to 2021/22.	During 2022/23 NAC received a total of £347.192m income from the Scottish Government, including General Revenue Grant, Non Domestic Rates and Specific Grants. Although this was an increase of £13.180m from 2021/22, due to high inflation, this represented a 2.6% real terms reduction in grant income.
F2	Councils received more core revenue funding from the Scottish Government than in 2021/22, rising from £12.1 billion to £12.2 billion (0.7 per cent) in real terms. However, an increasing proportion is ring-fenced or provided with the expectation it will be spent on specific services. This means that the amount of funding available for councils to spend freely on local priorities is reducing. There are commitments in the Verity House Agreement to move to a default position of removing ring-fencing or direction of funding wherever possible.	During 2022/23 £184.084m (53%) of Scottish Government grant funding was identified as ringfenced or provided with the expectation that it would be spent on specific services, including: HSCP £90.803m, Support for Teachers £70.835m, ELC Expansion £13.093m, PEF £4.211m, Child Payment Bridging £2.575m and DHP £2.477m.
F3	There is pressure on all public-sector capital budgets, and this presents risks to the viability of local government capital programmes, many of which impact on key services (eg, the construction and maintenance of schools, libraries, roads). Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic and has been volatile over the past decade. Driven by increased borrowing councils' capital expenditure increased in 2022/23 by 16 per cent in cash terms to £3.6 billion. Borrowing costs have reduced in recent years as many councils have used permitted financial flexibilities to reprofile debt payments. While helping with immediate budget pressures, these decisions defer costs to later years and do not tackle the underlying challenges to financial sustainability. Additional borrowing also places further pressure on revenue budgets over the longer term.	<p data-bbox="1151 887 2045 1126">During 2022/23, NAC invested £66.978m in our General Fund and HRA capital programmes. Major cost risks were reported across the Capital Investment Programmes as a result of the uncertainty arising from inflationary pressures and supply chain issues, which impacted on tender returns, and the cost of materials across a number of General Fund and HRA projects.</p> <p data-bbox="1151 1126 2045 1394">In addition, upward movements on the interest rates applicable to public sector borrowing presented further risks to the deliverability of both the General Fund and HRA capital programmes over the medium term resulting in an additional revenue cost of £1.132m per year to support the additional costs of borrowing.</p>

F4	<p>At the time of setting their 2022/23 budgets, councils anticipated budget gaps of over £476 million for the year, higher than the previous year. Councils are increasingly having to rely on savings and reserves to balance budgets. Achievement of savings targets was good in 2022/23 and improved on 2021/22. Greater transparency is required in the reporting of financial outturn in council accounts, including savings performance. This transparency and timely public engagement are essential as councils make increasingly difficult decisions to reduce or stop services to help balance budgets.</p>	<p>As detailed in the Medium Term Financial Plan for 2022/23, the budget gap for the year was £12.317m. This was met through a 3% Council Tax increase and the identification of net savings totalling £9.876m. The indicative funding gaps for 2023/24 and 2024/25 were identified as £10.718m and £8.785m respectively.</p>
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## Part 2 Councils' financial position and outlook from 2023/24

Ref	Key Message	NAC Feedback
O1	<p>Despite the financial pressures of recent years, half of councils increased their usable reserves in 2022/23, and overall usable reserves grew to £4.45 billion. This is driven by growth in committed reserves. Some of this is remaining Covid-19 funding, some is attributable to the permitted use of financial flexibilities for the repayment of longer-term debt but there are also indications councils are building up reserves to manage the known financial challenges in future years. However, the lack of transparency in some councils' annual accounts makes it difficult to draw firm conclusions on councils planned use of reserves.</p>	<p>During 2022/23, NAC's total usable reserves increased by £22.439m to £135.680m. This was primarily related to the release of £24.311m through the review of accounting arrangements for PFI and similar contracts. These funds have been ringfenced to help address the impact of construction cost volatility as part of delivering the Council's ambitious Capital programme, by helping to mitigate the significant cost pressures and resultant revenue budget gaps over the medium-term, support Workforce Planning and invest in Child Poverty and Cost of Living interventions.</p>
O2	<p>Local appointed auditors did not identify any councils in Scotland as being financially unsustainable in the short term. However, the financial outlook is extremely challenging with Scottish councils facing unprecedented financial and service demand pressures which present real risks for the future. Although Scottish Government core funding increased in cash and real terms in 2023/24, councils reported a significant increase in the total budget gap to £725 million.</p>	<p>NAC's Medium Term Financial Plan for 2023/24 to 2025/26 highlighted an increase in the budget gap for 2023/24 from £10.718m to £19.266m. This was addressed through the application of a 5% Council Tax increase, the use of £3.410m of reserves and the identification of £12.448m of savings. The indicative funding gaps for 2024/25 and 2025/26 were identified as £11.688m and £11.382m respectively.</p>

O3	<p>Councils' medium- and longer-term financial plans demonstrate a clear recognition of the difficult financial context and the need to continue to innovate at pace and make difficult decisions to become more financially sustainable. But some councils are already experiencing significant resistance when seeking to make service reductions to balance budgets. This reinforces the need for effective consultation and engagement with communities on planned local service changes.</p>	<p>NAC carries out a range of community engagement activities to support the development of our medium term financial plans. During 2023, NAC developed an on-line Budget Challenge tool which provided citizens with the opportunity to set their own virtual Budget. This helped demonstrate the challenges faced by the Council in allocating financial resources across services against the backdrop of funding constraints and cost pressures. This was followed up by an on-line locality engagement session which included representation from a range of community groups and associations and additional engagement with young people around the Budget challenges to determine what is important to them.</p>
O4	<p>The Verity House Agreement includes a commitment to offer councils longer term funding and greater local financial flexibility. These proposed changes will be important, in providing greater financial certainty to support better long-term planning and more flexible direction of resources to meet local need. However, the recent announcement of a proposed council tax freeze significantly reduces discretion and flexibility at individual council level. The impact this will have on financial sustainability is not yet known, but councils have placed an increased reliance on raising council tax to help deliver a balanced budget over the past two years.</p>	<p>NAC continues to engage with the Scottish Government at both a political and officer level through COSLA and the Directors of Finance group. There are ongoing discussions and progress around various areas of financial flexibility including potential changes to Council Tax through the multiplier and second homes levy. Discussions continue on the feasibility of a tourist visitor levy and budget discussions on the Verity House agreement, and what this means within the context of budget conditions.</p> <p>The latest developments in these areas will be addressed as part of the next iteration of the Medium Term Financial Outlook.</p>



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## NORTH AYRSHIRE COUNCIL

30 May 2024

### Audit and Scrutiny Committee

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**Title:** 2022/23 External Audit Action Plan Update

**Purpose:** To invite Committee to note the updated actions identified in the 2022/23 External Audit Action Plan.

**Recommendation:** That Committee notes the updates to the agreed Action Plans as outlined in Appendix 1.

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#### 1. Executive Summary

- 1.1 Audit Scotland's Annual Audit Report and Report on the Best Value Thematic Work for 2022/23 were presented to Audit & Scrutiny Committee on 14 November 2023.
- 1.2 Audit Scotland's reports included action plans in relation to the recommendations for improvement identified during the course of the audit and full details of the proposed management actions were appended to the reports.
- 1.3 Appendix 1 provides an update on the management actions taken to date and provides updated target dates for any outstanding items.

#### 2. Background

- 2.1 The 2022/23 audit of the Council's accounts was conducted by Audit Scotland and their reports on the Annual Audit and Best Value thematic work were presented to Audit & Scrutiny Committee on 14 November 2023.
- 2.2 The recommended actions identified in the reports related to a range of issues, including:
  - Review of Group accounting processes;
  - Formal engagement of Heritage Asset valuer;
  - Review of capital programme forecasting arrangements;
  - Updating of Council Tax system reconciliation format;
  - Review of publishing arrangement to comply with the 2021 Statutory Performance Information Direction; and
  - Review and promotion of dormant Charitable Trusts.

2.3 A review of the proposed management actions has now been undertaken and details of the completed actions and their completion dates have been detailed in Appendix 1. Where any actions have not yet been completed, the appendix provides an update on the proposed management action and the target date for completion.

2.4 In summary, the updates note:

- 2022/23 Annual Audit Report - All actions completed;
- Best Value Thematic Report - Actions well advanced with the launch of the Council's newly designed website scheduled for September 2024. In addition, the Performance Dashboard is being refreshed with a target date of 31 August 2024; and
- Charitable Trusts - Action is being addressed as part of a long term strategy to ensure that the coordination of funding support across Council services is clear and consistent.

### **3. Proposals**

3.1 It is proposed that Committee notes the updates to the agreed Action Plans as outlined in Appendix 1.

### **4. Implications/Socio-economic Duty**

#### **Financial**

4.1 None.

#### **Human Resources**

4.2 None.

#### **Legal**

4.3 None.

#### **Equality/Socio-economic**

4.4 None.

#### **Environmental and Sustainability**

4.5 None.

#### **Key Priorities**

4.6 This report directly supports the Council Plan 2023 to 2028 by maximising financial flexibility to support the delivery of our priorities.



## **Community Wealth Building**

4.7 None.

### **5. Consultation**

5.1 Responsible Officers identified within the Audit and Best Value reports have been consulted as part of the review.

**Mark Boyd**  
**Head of Service (Finance)**

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

### **Background Papers**

External Audit Reports on the 2022/23 Audit and Best Value Thematic Work – Audit & Scrutiny Committee, 14 November 2023

## 2022/23 Annual Audit Report

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>1 Group Accounting</b></p> <p>We identified a number of issues in our testing of group consolidation adjustments.</p> <p><b>Risk</b> – If the group accounting process is not improved, future accounts could be mis-stated.</p>	<p>The Council should review its group accounting process to ensure the completeness and accuracy of consolidation adjustments</p>	<p>A full review of group accounting procedures in line with Code requirements will be carried out ahead of the close of financial year 2023-24.</p> <p><b>David Forbes, Senior Manager - Finance and Revenues</b></p> <p><b>31 March 2024</b></p>	<p>All accounting guidance in relation to Group Accounting has been reviewed, internal procedures have been updated accordingly and the group boundary has been reviewed to ensure correct treatment of all group entities</p>	<p>Completed 31 March 2024</p>
<p><b>2 Heritage Asset Valuation</b></p> <p>The Council engaged an external valuer to value its heritage assets. No formal letter of engagement was issued setting out the scope and objectives of the valuer's work.</p> <p><b>Risk</b> – The scope and objectives of the valuation exercise could be misunderstood, resulting in asset values being mis-stated.</p>	<p>The Council should obtain a formal engagement letter from the Heritage Assets valuer.</p>	<p>A formal process for the identification of items to be valued and scope of work to be undertaken will be agreed with the valuation contractors.</p> <p><b>Lesley Forsyth, Senior Manager – Information &amp; Culture</b></p> <p><b>31 March 2024</b></p>	<p>With support from the Corporate Procurement team, a formal Letter of Engagement has been issued to the valuation experts, Lyon and Turnbull.</p> <p>The service will continue to work with them to ensure that North Ayrshire Museum's collection and the Council's Heritage Assets are properly assessed and we have accurate, up to date valuation data.</p>	<p>Letter of Engagement issued 15 April 2024</p>

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>3 Forecasting of capital projects</b></p> <p>Reprofiling for the General Fund included £11.0 million for Ardrossan Campus, £24.1 million for Ardrossan North Shore and 315.2 million relating to a corporate phasing adjustment reflecting the degree of uncertainty in the total expenditure projections. Reprofiling for the HRA mainly related to New Builds of £42.5 million.</p> <p><b>Risk</b> – the council is unable to accurately forecast capital expenditure.</p>	<p>The capital programmes should be reviewed to reflect the apparent optimism bias that existed in 2022/23.</p>	<p>The Head of Finance will continue to address the optimism bias issue through the CPAG group. Specifically, as part of the Budget setting process for 2024/25, a further corporate adjustment will be made to expenditure forecasts, and this will be evidence based from historic patterns of expenditure and a recognition of organisational capacity.</p> <p><b>Mark Boyd, Head of Finance</b></p> <p><b>31 March 2024</b></p>	<p>During the development of the Capital Investment Programme 2024/25 to 2033/34, the phasing of expenditure was reviewed to reflect historic expenditure patterns and organisational capacity. This resulted in the rephasing of approximately 19% of the planned expenditure in both 2024/25 and 2025/26 for delivery in later years, without impacting on the overall value of investment within the programme. The actual levels of expenditure will be continually monitored and reported to Cabinet throughout the life of the programme.</p>	<p>Capital Investment Programme 2024/25 to 2033/24 approved by Council 28 February 2024.</p>
<p><b>4 Council tax property reconciliation</b></p> <p>The reconciliation between the council's records and assessor's data does not identify where the data originates from, what it had been reconciled to, or who had performed the reconciliation and when.</p> <p><b>Risk</b> – Reconciliations may be incorrectly completed leading to variances between council and assessor records not being identified.</p>	<p>The format of the reconciliation between the Council's records and assessor's data could be improved by clearly stating where the data in the reconciliation originates from, what it has been agreed to, the name of the officer performing the reconciliation and the date agreed.</p>	<p>The format of the year end reconciliation between the AVJB's council tax register and the Council Tax system will be reviewed and updated.</p> <p><b>David Forbes, Senior Manager - Finance and Revenues</b></p> <p><b>31 March 2024</b></p>	<p>A full review of all reconciliations has been undertaken to ensure consistency of content and format with clear links to all original source data.</p>	<p>Completed 31 March 2024</p>

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>5 The Statutory Performance Indicator (SPI) Direction</b></p> <p>Our assessment has concluded that the Council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the new SPI Direction.</p> <p>Risk – the council may not comply with the new requirement to report its own assessment of audit, scrutiny and inspection body assessments and how it has responded to these assessments.</p>	<p>The Council needs to publish its response to Best Value reports and audit and inspection reports to fully comply with the requirements of the 2021 Statutory Performance Information (SPI) Direction.</p>	<p>Inspections, audits, awards and accreditations will be included in our six monthly Council Plan Progress Reports which are published on the Council's website.</p> <p><b>Isla Hardy, Team Manager - Corporate Policy and Performance</b></p> <p><b>31 January 2024</b></p>	<p>Inspections, audits, awards and accreditations are now included in our six monthly Council Plan Progress Reports with the initial report for the new Council Plan (Mid-Year 2023-24) approved by Cabinet in January. These reports are published on our website. By including a summary within the report, rather than a list, it provides valuable context around the audit or inspection, the ability to cross reference with Council Plan progress and note key next steps. It also gives the Executive Leadership Team, Cabinet and the Audit and Scrutiny Committee an opportunity to view the audits and inspections holistically.</p>	<p>31 January 2024</p>

**BV Thematic Report**

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>1 Vision</b></p> <p>The council has acknowledged that its website would benefit from improvement and it is currently being reviewed with a view to being replaced by Autumn 2024.</p>	<p>The Council should prioritise concluding its website review with a view to improving it as soon as possible. This will bring many benefits, including raising more awareness of its vision and priorities.</p>	<p>The website redesign project is currently progressing at pace and the aim is to have a Beta version live by Summer 2024 and the full version live by Autumn 2024. To improve the visibility of the Council Plan and Priorities the home page will be revised to include reference to our Council Plan 2023-28.</p> <p><b>Fiona Walker, Head of People and ICT</b></p> <p><b>Summer/Autumn 2024</b></p> <p><b>Aileen Craig, Head of Democratic Services</b></p> <p><b>December 2023</b></p>	<p>The website home page has been updated to include a link to the Council plan within the Council and Local Democracy section. This will remain as a featured link on the homepage of the newly designed website.</p>	<p>The newly designed website will have its Beta launch in July 2024, going fully live in September 2024.</p>

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>2 Performance</b></p> <p>The Council has acknowledged that the content of its performance pages needs to be refreshed and, in particular, its Performance Dashboard needs to be update. The Council also recognises the need to improve its website as a whole and is working towards launching a new website in Autumn 2024. In addition, it plans to report the results of, and its response to, audit and inspection work in its Council Plan progress report updates going forward.</p>	<p>The Council should ensure that all the performance information published on its website is up-to-date, performance reports are as timely as possible and audit and inspection information is easily accessible and includes how the Council is responding to recommendations.</p>	<p>Website will be reviewed to remove or replace out of date information. Audits and inspections will be included in six monthly Council Plan Progress Reports published on the site.</p> <p><b>Isla Hardy, Team Manager - Corporate Policy and Performance</b></p> <p><b>31 January 2024</b></p>	<p>The website has been reviewed to remove out of date information. This mostly related to historical pages from a previous Council structure. The remaining pages will be able to be more effectively managed. A process is in place to ensure our reports are accessible under the website regulations and able to be uploaded once approved by Cabinet following the call-in period.</p> <p>Audits and inspections are included in the six monthly Council Plan Progress Reports.</p> <p>The Performance Dashboard is currently offline as employees require further training in Power BI to support this sustainably. The information was previously updated annually. All information is available through the six-monthly Council Plan Progress Reports. We will aim to have the dashboard refreshed over the summer once Year End reporting has been presented to Cabinet.</p>	<p>Completed 30 April 2024</p> <p>Completed 31 January 2024</p> <p>Target Date 31 August 2024</p>

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>3 Citizen and community engagement</b></p> <p>The Council has published locality impact reports for five of its six localities. However, a number of links to locality planning information are not yet available.</p>	<p>The Council should update all locality planning information and corresponding links as soon as possible.</p>	<p>The CPP website will be reviewed to ensure all locality planning information and links are up to date. The Community Planning Partnership website will be refreshed with new Locality Partnership pages.</p> <p><b>Jacqueline Greenlees, Senior Manager – Community Planning</b></p> <p><b>31 December 2023</b></p>	<p>The CPP website has now been reviewed and refreshed, with new Locality pages produced which include up to date information. Any out of date reports or links have been removed by the site developer. New annual Locality Action Plans were co-produced with the Partnerships in 2023 and are live on the website. These are due to be refreshed again early in the summer.</p>	<p>The new CPP website went live in Feb 2024 and was launched at the annual North Ayrshire Community and Locality Planning Conference in Irvine.</p>
<p><b>4 Tackling climate change</b></p> <p>The Council's website does not currently have a dedicated climate change webpage. The council plans to improve its website as a whole and is exploring the inclusion of more information on carbon emissions and climate change as part of a Sustainability Awareness Communications Plan.</p>	<p>The Council should consider including more information on its website about what it is doing to address climate change and the progress it is making.</p>	<p>The Council's website will be updated to include more information on what we are doing to address Climate Change and progress we are making, including publication of a dedicated public facing Climate Change webpage.</p> <p>Options for a social media page dedicated to climate change will be investigated.</p> <p><b>Jennifer Wraith, Team Manager - Sustainability</b></p> <p><b>31 January 2024</b></p>	<p>The Sustainability Team held a workshop to identify the themes and contents for the dedicated Climate Change webpage. The proposed themes following the workstreams with the new Sustainable North Ayrshire strategy.</p> <p>The contents focus on what the Council is currently doing to tackle climate change across these themes, and where to find more information of how members of the public can take action.</p> <p>Final amendments are being made prior to submission by mid-May</p>	<p>Target Date 17 May 2024</p>

## Charities

Issue / Risk	Recommendation	Agreed management action	Actions Completed	Completion Date
<p><b>CH1 Dormant trusts</b></p> <p>Six charitable Trusts have been dormant for 3 years or more. There is no clear plan on how to bring the Trusts back into use. This indicates that the Trusts are not meeting the requirement of public benefit.</p>	<p>The Council should ensure that all Trusts have adequate governance documentation enabling grants to be issued. The Trusts should also be suitably advertised.</p>	<p>All Trust governance documents will be reviewed to ensure that they are adequate to support the distribution of grants to support communities. A strategy for the promotion of all available community funding will be developed to support communities and individuals identify and access available funding options, including currently dormant charitable trusts.</p> <p><b>Rhonda Leith, Head of Connect Communities</b></p> <p><b>31 March 2024</b></p>	<p>Connected Communities have been working closely with Finance and Communications colleagues to promote the various funding sources, trusts and bequests available to the council and ensure that as many of our staff teams, partners and communities are aware of the available financial supports. This is a long term piece of work and part of a strategic aim to ensure coordination of funding support across council services is clear and consistent.</p> <p>In terms of the specific trusts in question, the service is working with colleagues within Legal Services to identify relevant governance documents and ensure that proposed disbursements meet the Trust requirements.</p>	<p>Target Date 31 March 2025</p>



## **NORTH AYRSHIRE COUNCIL**

**30 May 2024**

### **Audit and Scrutiny Committee**

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**Title:** **Annual Governance Statement 2023/24**

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**Purpose:** To seek approval of the Council's Annual Governance Statement for 2023/24 which will be included within the draft Annual Accounts.

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**Recommendation:** That the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

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

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2023/24.
- 1.2 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

#### **2. Background**

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

- 2.5 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2023/24.
- 2.7 The Annual Governance Statement also identifies improvement actions which are planned to the governance framework during 2024/25. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.
- 2.8 The Financial Management team recently carried out a benchmarking exercise of annual accounts across other local authorities, and improvements relating to the Annual Governance Statement have been incorporated.

### **3. Proposals**

- 3.1 It is proposed that the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 Approval of the Annual Governance Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 Good governance arrangements help to underpin the delivery of the Council's key priorities.

## **Community Wealth Building**

4.7 None.

### **5. Consultation**

5.1 No consultation has been required during the preparation of the Annual Governance Statement.

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

### **Background Papers**

None.

# Annual Governance Statement

## Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available [here](#).

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

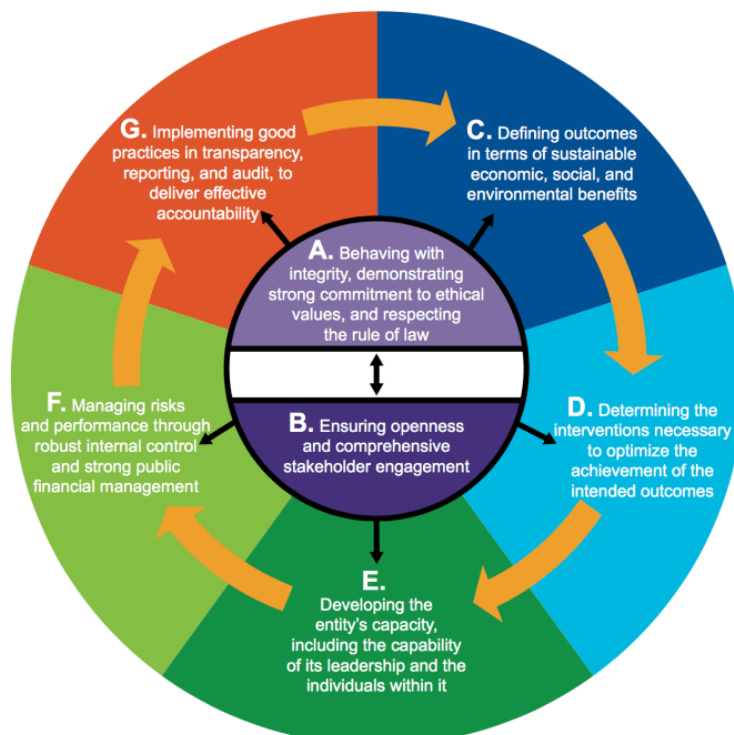
## The Purpose of the Governance Framework

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

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

## The Governance Framework

The Council's Framework is built around the seven core principles and 21 sub-principles that set out the key building blocks of good governance.



The key features of the governance framework that were in place during 2023/24 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Depute Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and included church and teaching profession representatives.
- The Audit and Scrutiny Committee, which is chaired by a Member of an Opposition party, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. An annual self-assessment process is carried out to assess the effectiveness of the Committee utilising CIPFA's Self Assessment of Good Practice within the publication 'Audit Committees: Practical Guidance for Local Authorities and Police – 2022 Edition'.
- A cross-party Policy Advisory Panel assists in the development of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in May 2023.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The integrated Health and Social Care Partnership (HSCP) has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission, vision and key priorities are outlined in the Council Plan 2023-2028 which is underpinned by a delivery plan and a range of performance indicators. Regular interim reports are provided to both Cabinet and the Audit and Scrutiny Committee on progress towards meeting the Council Plan priorities.
- Progress with the Council's Change and Transformation programme continues to be governed and monitored through the Transformation Board which is chaired by the Chief Executive.
- A people strategy entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy 2023-28 demonstrates how the Council supports a culture of continuous improvement and how the work of every employee is crucial to the achievement of the overall vision of a North Ayrshire that is Fair For All. Regular reporting to Elected Members takes place, and a wide range of performance information is available on the North Ayrshire Performance Dashboard.
- The Council has adopted a 'Code of Conduct' for all its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Policy and Strategy: "Risk Focus". The Council's strategic risk register is refreshed annually and for 2023/24 was approved by Cabinet in March 2023. Monitoring of progress against action points is reported to the Audit and Scrutiny Committee at the mid-year point.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.
- The Council has in place a development programme for all Elected Members. In November 2023, feedback was received on the Elected Member Development sessions held from May 2022 to June 2023, and to seek views on topics for future development. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to

their team and the Council, their wellbeing, and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations.

- The ICT Asset Management Approach 2021-2024 is linked to the ICT Technology Strategy and depicts the impact on hardware, software and application assets. The Council's approach to asset management planning is based on CIPFA guidance which covers six core classes of assets: property, open space, housing, roads, fleet, and ICT.
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which covers the period 2024/25 to 2033/34. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services. This is further supported through an Information Governance Procurement Framework. A corporate training module is in place to support ongoing training, development and awareness which is completed on an annual basis.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

The governance framework has been in place at North Ayrshire Council throughout the year ended 31<sup>st</sup> March 2024.

### **The System of Internal Financial Control**

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

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

The Council's financial management arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Chief Financial Officer in Local Government (2016)'.

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

### **Review of Effectiveness of the Governance Framework**

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the

effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Audit, Fraud, Safety and Risk) and reports from the Council's external auditors, Audit Scotland, and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its planned activity and complies with the Public Sector Internal Audit Standards (PSIAS) in conducting its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2023/24.

As detailed in the Internal Audit Charter, most recently approved by the Audit and Scrutiny Committee in March 2023, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Risk) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 30 May 2024.

The Internal Audit Annual Report 2023/24 highlights a number of findings by the Council's Internal Audit section. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) that the Council's systems of internal control continue to provide reasonable assurance against loss.

The Council's internal audit arrangements conform to the governance requirements of the CIPFA statement on 'The Role of the Head of Internal Audit (2019)'.

### **Significant Governance Developments during 2023/24**

The Council Plan is the overarching strategy of the Council and details the Council's strategic priorities. A revised Council Plan for 2023-2028 was approved by Council in June 2023.

The Performance Management Strategy 2023-2028 has been developed which proposes a systematic approach to self-assessment. In August 2023, Cabinet approved the Council Plan 2023-28 Performance Management Framework (PMF) which will be used to demonstrate progress against the Council Plan priorities. The PMF was further endorsed by the Audit and Scrutiny Committee.

A Long-Term Financial Outlook (covering the period 2024/25 to 2033/34) was approved by Council in December 2023. This is underpinned by a Medium-term Financial Outlook (MTFO) which is updated annually. The most recent MTFO, covering 2024/25-2026/27, was also approved by the Council in December 2023. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The General Services Revenue Estimates 2024/25-2026/27 and Capital Investment Programme 2024/25-2033/34 were approved by Council in February 2024.

The Digital North Ayrshire Strategy 2023 – 2028 was approved by Cabinet in May 2023. The strategy recognises the many benefits that digital engagement can bring, and the need to strive for innovation and continuous improvement in light of increased customer expectations on local services and a challenging financial environment.

The Council has a variety of assets which are integral to service delivery. The North Ayrshire Asset Management Strategy and associated Asset Management Plans (including fleet, roads, housing, property, open space and ICT) covering the period 2023-2028 were approved by Cabinet in October 2023. The strategy ensures that the Council is maximising its opportunities for the use of land and property assets, and ensures assets contribute to the Council Plan priorities. Asset management also plays a key role in the development of the Medium Term Financial Strategy.

The Sustainable North Ayrshire Strategy 2024-27 was approved by Cabinet in December 2023. The Council declared a climate emergency in 2019 and has committed to achieving net zero carbon emissions by 2030. The Strategy replaces the Council's previous Environmental Sustainability and Climate Change Strategies (ESCCS). Linked to supporting the Council's routemap to net-zero by 2030, a number of proposals have been agreed including the decarbonisation of the Council's vehicle fleet by 2030 and the approval of a Tree and Woodland Management Policy.

Under the Equality Act, public sector organisations are required to publish equality information every two years and consult on/develop Equality Outcomes every four years. In May 2023, Cabinet approved the content of the Equality Mainstreaming Report 2020-22 and Outcomes 2021-2025 Mid-Term Report.

A refreshed Community Wealth Building Strategy for 2024-2027 aims to provide a Community Wealth Building focussed approach to economic development in North Ayrshire, allowing the Council to remain at the forefront of this innovative policy area.

The Children's Services Plan 2023-26 was endorsed by Cabinet in June 2023, and builds on the progress made since the previous Children's Services Plan 2020-23. The Children's Services Plan is aligned to the Children's Poverty Strategy 2023-26 and Action Plan 2023-24 and Children's Rights Report 2020/23 (also approved in June 2023), together forming the suite of children's services planning documents.

A refreshed North Ayrshire Local Housing Strategy 2023 – 2028 is in place, which sets out the strategic priorities for tackling housing issues in the area over the next five years. The strategy will allow the Council to monitor progress against national and local priorities and targets. In line with this same period, a refreshed Housing Services' Customer Participation Strategy 2023 – 2028 which sets out Housing Services' plan for developing customer involvement over the next five years.

The regeneration of vacant and derelict land plays a key role in priorities of the Council Plan, Community Wealth Building Strategy, and the Regeneration Delivery Plan. A new Vacant and Derelict Land Strategy 2023-2028 sets out how vacant and derelict land fits within, and supports the wider context of, national and local priorities and objectives. It also includes a series of actions to promote the positive re-use of sites to address local priorities, support change within communities and ensure our places and economy are vibrant and inclusive.

### **Planned Actions for 2024/25**

The Council has a number of planned actions for 2024/25 which will help to further strengthen the governance framework:

- Strengthening of the Council's Executive Leadership Team aligned to the new Council structure;
- Progress a work programme to embed Community Budget engagement within existing stakeholder networks, as opposed to an annual event; and
- In view of the financial landscape, early development of the Council's budget programme for 2025/26 to consider public consultation requirements and early political engagement.

### **Assurance**

Subject to the above, and based on the assurances provided, we consider the governance and internal control environment operating during 2023/24 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Craig Hatton  
Chief Executive  
May 2024

Marie Burns  
Leader of the Council  
May 2024



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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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<b>Title:</b>	<b>Accounting Policies 2023/24</b>
<b>Purpose:</b>	To seek the Audit and Scrutiny Committee's approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2024.
<b>Recommendation:</b>	That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

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**1. Executive Summary**

- 1.1 The annual accounts for the 2023/24 financial year summarise the Council transactions during the year and its position at the year end of 31 March 2024. Under the Local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with the proper accounting practices.
- 1.2 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"), supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council.
- 1.3 The accounting policies to be adopted by North Ayrshire Council are reviewed on an annual basis in line with the CIPFA Code and submitted to the Audit and Scrutiny Committee for approval in advance of the financial statements being prepared.
- 1.4 The proposed accounting policies for 2023/24 have been updated to reflect changes in the guidance received from CIPFA during 2023/24.
- 1.5 Following further revisions to the guidance in relation to the adoption of IFRS 16 in relation to the accounting for leases, it has been determined that implementation of the revised standard will now be with effect from 1 April 2024. As such, the draft accounting policies continue to reflect the existing accounting treatment.

## **2. Background**

- 2.1 Accounting policies are defined in paragraph 3.3.2.1 of the Code as ‘the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements’.
- 2.2 Councils are required to select accounting policies and apply changes to accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.
- 2.3 The Council is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate and consider the required treatment of any new policies relevant to the Council’s particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
- 2.4 The draft accounting policies proposed for adoption are detailed in Appendix 1 and include the following revisions identified during 2023/24:
- i. The previous policies in relation to Soft Loans to Charitable Bodies have been removed on the basis of materiality as the last such arrangement was brought to an end during 2022/23.
  - ii. The previous policy in relation to Financial Assets Measured at Fair Value through Profit and Loss (FVPL) has been removed on the basis of materiality as the Council’s business model is to hold assets to collect contractual cash flows and our financial assets are, therefore, measured at amortised cost rather than FVPL.
- 2.5 Although CIPFA / LASAAC had determined that the mandatory adoption of changes to the treatment of leases and similar arrangements in line with International Financial Reporting Standard (IFRS) 16 Leases were to be postponed until 1 April 2024, it was previously reported that North Ayrshire Council would voluntarily adopt the new standard from 1 April 2023. However, following delays in the issuing of the final revised guidance by CIPFA / LASAAC it is now proposed that full adoption of this standard is deferred until 1 April 2024, in line with mandatory requirements.

## **3. Proposals**

- 3.1 It is proposed that the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1

## **4. Implications/Socio-economic Duty**

### **Financial**

- 4.1 None.

## **Human Resources**

4.2 None.

## **Legal**

4.3 None.

## **Equality/Socio-economic**

4.4 None.

## **Environmental and Sustainability**

4.5 None.

## **Key Priorities**

4.6 This report directly supports the Council Plan 2023 to 2028 by maximising financial flexibility to support the delivery of our priorities and focussing our investment on priorities.

## **Community Wealth Building**

4.7 None.

## **5. Consultation**

5.1 The council's appointed external auditors for 2023/24, Audit Scotland, were consulted on the changes detailed in this report.

**Mark Boyd**  
**Head of Service (Finance)**

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

## **Background Papers**

None

## Accounting Policies 2023-24

### General Principles

The Accounts summarise the Council's transactions for the 2023-24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices.

These practices, under Section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

The accounts have been prepared on a going concern basis.

### A Accruals of Income and Expenditure

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

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

## **B Allocation of Central Support Costs**

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

## **C Cash and Cash Equivalents**

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

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

## **D Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

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

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

## **E Charges to Revenue for Non-Current Assets**

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

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

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

## **F Employee Benefits**

### **Benefits Payable during Employment**

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

### **Termination Benefits**

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

### **Post-Employment Benefits**

The Council participates in two separate pension schemes:

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

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

### **The Local Government Pension Scheme**

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

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

Assets/liabilities are discounted to their value at current prices, as advised by the actuaries, Hymans Robertson, using an appropriate discount rate.

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

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

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

Service Costs:

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

Remeasurements:

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

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

### **Discretionary Benefits**

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

### **G Events After the Reporting Period**

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

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

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

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

### **H Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

#### **Financial Assets**

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



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

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

#### Financial Assets Measured at Amortised Cost

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

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

#### Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model. The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

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

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

### **I Government Grants and Contributions**

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

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

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

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

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

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

## **J Heritage Assets**

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

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

### **Measurement**

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

### **Disclosure**

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

## **K Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life (generally between 5 and 10 years) to the relevant service line(s) in the CIES.

## **L Interest in Companies and Other Entities**

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

## **M Internal Transactions**

Internal transactions between operational segments of the Council are included within the management accounts for budgetary control purposes only. All internal transactions between services have been excluded from the service expenditure analysis within the Comprehensive Income and Expenditure Statement resulting in reductions in both the gross expenditure and gross income reported, with no overall net impact.

## **N Inventories**

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

## **O Investment Properties**

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

## **P Leases**

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

### **The Council as Lessee**

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

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

### **The Council as Lessor**

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

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

## **Q Property, Plant and Equipment**

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

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

### **Recognition**

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

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued on a rolling basis over a period not exceeding 5 years, with the exception of Surplus Assets and Investment Properties which are revalued annually.

Where a sample of assets in each category has been valued in the current financial year, the change in values for the sample assets shall be assessed and extrapolated to determine if a potential material movement in the value of all assets within that category is indicated. The materiality threshold has been determined as 1.5% of the previous formal valuation, for 2023/24 this is equivalent to £15.6m. Where a material movement is indicated, this will be disclosed within the annual accounts and additional valuation work will be undertaken in conjunction with colleagues from the Royal Institute of Chartered Surveyors to assess the valuations of all other assets within that category.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Where decreases in value are identified, the revaluation loss is accounted for as follows:

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

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

#### Impairment

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

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

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

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

## **Depreciation**

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

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

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

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

## **Disposals**

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

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

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

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

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

The Council has determined, in accordance with Local Government Circular 09/2022 Statutory Override Accounting for Infrastructure Assets for Scottish Local Authorities, that the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be, and accounted for, as a nil amount. In accordance with the circular the Council is not required to make subsequent adjustments to the carrying amount of the asset with respect to that part.

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

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

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

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

- Service charges and lifecycle replacement costs – value of services including cleaning and janitorial services, repairs and maintenance, energy, non domestic rates and insurances debited to the relevant service in the CIES;
- Interest payments – the interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the CIES;
- Liability repayment– repayment of the principal owed to the PPP operator, applied to write down the Balance Sheet liability.

In accordance with Scottish Local Government Finance Circular 10/2022, the Council has applied a statutory accounting flexibility to the PPP and NPD contracts to realign the value of the Liability Repayment element of the unitary charge to reflect a prudent charge for the repayment of the Liability across the useful economic life of the assets.

## **S Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

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

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **T Reserves**

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

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



## **U Revenue Expenditure Funded from Capital Under Statute**

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

## **V VAT**

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

## **W Fair Value Measurement**

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

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

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

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

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

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



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**NORTH AYRSHIRE COUNCIL****30 May 2024****Audit and Scrutiny Committee**

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**Title:** **Strategic Risk Register 2024/25****Purpose:** To inform the Committee of the Council's agreed Strategic Risk Register for 2024/25.**Recommendation:** That Committee notes the Strategic Risk Register.

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**1. Executive Summary**

- 1.1 The Strategic Risk Register has been reviewed and updated for 2024/25.
- 1.2 Three of the eight previous risks remain on the Strategic Risk Register at their existing risk scores and titles – Inequalities, Cyber Security and Climate Change.
- 1.3 The risk previously titled Financial Environment is changed to Financial Sustainability to more closely reflect the fundamental funding issues the Council is facing in this year and future years budgets. The risk scoring remains the same. The Financial Sustainability of the Health and Social Care Partnership risk and the Community Capacity Building & Empowerment risk have increased in risk scoring whereas the Transformation risk has reduced in scoring.
- 1.4 A new risk has been added which reflects the impact of a deteriorating property asset portfolio with insufficient funding, and a previous risk relating to the National Care Service Risk has been removed.
- 1.5 The Strategic Risk Register was approved by Cabinet on 19 March 2024.

**2. Background**

- 2.1 North Ayrshire Council is committed to ensuring that it is proactive in identifying and managing the risks impacting on the authority. The Council recognises that a certain amount of risk is inevitable if the organisation is to achieve its objectives.
- 2.2 The aim of risk management is to reduce the likelihood and/or impact of risk by identifying and controlling risks to the Council. If risk is to be managed appropriately, and Services are aware of these risks, risk management can contribute positively towards the organisation's decision-making processes, making the Council more innovative and effective in its approach to service delivery.

- 2.3 The most significant risks are identified through the Council's Strategic Risk Register, recognising the challenges facing the Council and demonstrating the arrangements in place to manage these risks.
- 2.4 The Strategic Risk Register has been reviewed and updated for 2024/25 and is attached at Appendix 1 to this report. For each of the risks detailed within the register a number of components are identified:
- Risk proximity factors.
  - Risk score.
  - Potential effect on the Council's priorities.
  - Internal controls currently in place.
  - Assessment of controls, and
  - Additional actions identified.
- 2.5 To assist in the assessment of each risk, the Council's agreed risk matrix was used to ensure consistency. This is used to assess the likelihood of occurrence (on a scale from 1 to 5) and the significance of the impact of the risk should it occur (on a scale from 1 to 5). The risk score is the product of likelihood multiplied by impact. Only those risks rated as high or very high (10 or above) will feature on the SRR to ensure a focus on managing the most significant risks.
- 2.6 Four risks remain on the Strategic Risk Register at their existing risk scores – Financial Sustainability (previously Financial Environment), Inequalities, Cyber Security and Climate Change.
- 2.7 The Financial Sustainability of the Health and Social Care Partnership risk has increased in risk from score 12 to 16 due to increasing budget pressures.
- 2.8 Community Capacity Building and Empowerment risk has increased from score 12 to 16 due to increasing financial and resource demands.
- 2.9 Transformation risk has reduced from score 16 to 12 as a result of positive workstream developments and programme delivery against the requirements of The Council Plan.
- 2.10 An additional risk is proposed around the condition of property and how this is set within the context of the current financial challenges.
- 2.11 The previously identified risk regarding the implementation of the National Care Service is removed from the Strategic Risk Register as there have been a number of changes to the proposals. These are as follows:
- A tripartite agreement between national and local government and the NHS in Summer 2023 included agreement that statutory delivery functions would remain with local authorities and health boards, along with assets, employment of staff and relevant funding.
  - Scottish Ministers will exercise strategic framework accountability for NCS services which will include a role in setting policy, having oversight and providing direction; this will be done through the establishment of a National Care Service Board, but otherwise local integration authorities will remain in place but may be subject to some reform.

- Timescales have also slipped by 3 years, with the new arrangements not now expected to be in place until 2029.

## 2.12 Very High Risks

- **Financial Sustainability** – this risk reflects the ongoing financial challenge faced by the Council year on year (risk score 20).
- **Inequalities** – this highlights the socio-economic inequalities faced in North Ayrshire (risk score 20).
- **Property Asset Risk** – This reflects the impact of long-term restricted budgets on the Councils ability to maintain these to a good standard (risk score 20).

## High Risks

- **Cyber Security** – this reflects the ongoing risk from external cyber-attack which is being faced by all organisations (risk score 16).
- **Transformation** – this reflects the wider risks associated with delivering the current Transformation Programme and developing a pipeline of future initiatives (risk score 12).
- **Climate Change** – this risk has been on the Strategic Risk Register following the declaration by the Council of a Climate Change Emergency during 2019 (risk score 16).
- **Financial Sustainability of the Health and Social Care Partnership** – this reflects the ongoing financial challenges faced by the Partnership and the risk these present to the Council (risk score 16).
- **Community Capacity Building and Empowerment** – this highlights the challenges associated with the community empowerment act (risk score 16).

2.13 Council services have identified high level strategic actions within their planning for 2024/25 to help the Council mitigate against its strategic risks. These actions are detailed in summary format in the Risk Management Action Plans following each Risk within Appendix 1. These actions will assist with performance monitoring and reporting on the strategic risks.

2.14 The Council's Internal Audit Plan 2024/25 was approved at the Audit and Scrutiny Committee on 21 March 2024 and is risk-based with clear links in place between the audit plan and key risks the Council faces.

## Longer-term risks & Horizon Scanning

2.15 The Strategic Risk Register identifies the most significant risks which the Council faces at the present time.

2.16 The Corporate Risk Management Group identifies any new relevant risks through internal reviews and external horizon scanning utilising a number of sources.

## 3. **Proposals**

3.1 Committee is requested to note the Strategic Risk Register 2024/25.

## **4. Implications/Socio-economic Duty**

### **Financial**

4.1 The Council continues to have a robust long- and medium-term financial planning framework. Key strands include development of key transformation themes and the establishment of an Investment Fund that will generate future savings alongside delivery of a number of key Council priorities.

### **Human Resources**

4.2 None.

### **Legal**

4.3 None.

### **Equality/Socio-economic**

4.4 The risk to the Council is that North Ayrshire residents, and in particular certain groups, will experience increasing levels of poverty and its effects. Current control measures fall into two categories - measures to address the root causes of socio-economic inequalities - income through employment or benefits – and mitigation measures to minimise the impacts of poverty.

### **Climate Change and Carbon**

4.5 The Council has declared a climate change emergency and has in place an Environmental Sustainability and Climate Change Strategy. Significant work to help mitigate the risk of flooding is included within the Capital Plan. The Council is undertaking an ambitious renewable energy programme.

### **Key Priorities**

4.6 A successful risk management framework helps to underpin the delivery of the Council's strategic priorities in Our Council Plan 2023-2028.

### **Community Wealth Building**

4.7 None.

## **5. Consultation**

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

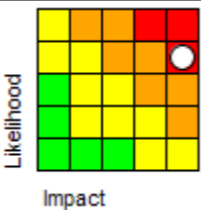
Mark Boyd  
Head of Service (Finance)

For further information please contact **Alex Fitzharris, Team Manager (Risk and Insurance)**, on **01294-324515**.





**Background Papers**

None.


Appendix 1 - Strategic Risk Report 2024/25

<b>Risk Code</b>	SRR2425_R01	<b>Risk Title</b>	Financial Sustainability	<b>Latest Note Date</b>	09-Feb-2024
<b>Risk Owner</b>	Mark Boyd				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>		<b>Likelihood</b>	<b>Impact</b>
<p>The risk is that the level of funding from Scottish Government to local government falls significantly below the level required to operate services effectively. This will require the Council to take increasingly difficult and challenging decisions. The 2024/25 local government settlement represents a reduction in core funding of £2.191m (0.64%). This is against a backdrop of significant cost increases, resulting in a Budget gap of £16.000m for 2024/25. The North Ayrshire position is further affected by a reducing overall population demographic and a growing elderly population. This will further impact the Council's share of funding across the short, medium and long term.</p> <p>Although there is a commitment through the Verity House agreement for Councils and Scottish Government to work together there continues to be challenges around the level of flexibility the Council has on key areas of Budget, most notable in areas like HSCP funding and funding for teachers and support staff, where conditions remain. The Scottish Government has passed legislation to give Councils powers to charge additional council tax for second homes. This is an area the Council will consider within the context of local circumstances and island communities.</p> <p>Scottish Government funding to support the Council's capital programme has also been reduced by almost 10% in the Budget settlement for 2024/25. Set against high inflationary driven construction costs there is a risk that the 10-year capital programme will be unaffordable. This could require projects to be reduced in scale or even ceased.</p>	<p>Funding not keeping pace with demand and inflationary cost pressures means that there will be a reduction in some service areas potentially resulting in higher risks for service users. The future delivery of balanced budgets will become increasingly challenging. The capital programme could also be significantly impacted leading to reduced levels of capital investment.</p>	<p>Robust monitoring of the Council's revenue and capital budgets is in place as well as regular reporting of financial performance of the IJB to Cabinet and Audit and Scrutiny.</p> <p>To assist financial planning The Medium and Long-Term Financial Outlook (LTFO) to 2033/34 was approved at Council on 13 December 2023 – this is the cornerstone of the Council's financial planning in the medium to long term.</p> <p>The annual budget process for the General Fund revenue and Capital Programmes and financial performance monitoring process will continue to provide the framework from which control measures will continue in addressing the financial position. Delivery of the Council's Change Programme is also vital in addressing the Budget challenges and this is being progressed by the Council's Transformation Board, which is chaired by the Chief Executive.</p> <p>Utilising the Council's available statutory powers is another important area in addressing the financial challenges.</p>		4	5
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Stable	20			No change	Treat



Strategic Risk Action Plan				Date Updated	09-Feb-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Regular financial monitoring of Revenue and Capital Budgets.	<b>09 February 2024:</b> Ongoing monitoring.	31-Mar-2025	Mark Boyd		
Maintain Financial Governance Arrangements for IJB.	<b>09 February 2024:</b> Under ongoing review.	31-Mar-2025	Mark Boyd		
Progress dialogue via COSLA with Scottish Government on a range of areas including fair funding, multi-year settlements, reduction in levels of ring-fenced resources, true costs of SG policy areas, financial flexibilities and a New Deal partnership with SG and local government.	<b>09 February 2024:</b> Ongoing discussions via COSLA around the Verity House Agreement and the need for maximum financial flexibility for Councils.	31-Mar-2025	Mark Boyd		
Develop the 2024/25 to 2026/27 revenue budget (medium-term financial strategy) and capital programme taking account of all pressures and savings via Directorates and Transformation programme.	<b>09 February 2024:</b> Options to address the £16m Budget gap for 2024/25 have been developed for elected member consideration at Council Meeting on 28 February 2024. Following this, require to develop a more detailed programme of options to address the structural funding challenges over the medium and long-term.	31-Mar-2025	Mark Boyd		

<b>Risk Code</b>	SRR2425_R02	<b>Risk Title</b>	Inequalities	<b>Latest Note Date</b>	25-Jan-2024
<b>Risk Owner</b>	Audrey Sutton/Caroline Cameron				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>		<b>Likelihood</b>	<b>Impact</b>
<p>North Ayrshire residents, and in particular certain excluded groups, will experience increasing levels of poverty and its effects, as a result both of the economic situation and Covid-19.</p> <p>Health inequality is closely linked to poverty, employment and people's earliest experiences as children, and will increase.</p> <p>The population of North Ayrshire is projected to fall over the next 10 years but there will also be a larger proportion of the population considered dependent (not economically active).</p>	<p>The impact on specific risk groups is greatest for our children, young people and families, unemployed people and those in in-work poverty and people exposed to the risks of drug and alcohol addiction.</p> <p>Demand for HSCP and Council Services will increase.</p> <p>As reductions in resources increase, early intervention and prevention activities are at risk, thus increasing the potential for an increase in costly crisis interventions.</p> <p>The local economy will be impacted by reduced spending power by economically inactive residents.</p>	<p>The HSCP re-affirmed its commitment to Tackling Inequalities by continuing to consider it a key priority with the Partnership's Strategic Plan.</p> <p>Through the HSCP strategic plan, the Partnership sets out actions to tackle inequality through its Partnership Pledge and across its strategic priorities. Tackling inequalities is addressed across HSCP service areas. An example of actions to help address local inequalities include:</p> <p>Establishing the Money Matters service in 9 GP practices and 7 local schools in the more deprived areas of North Ayrshire. This will improve accessibility of the service to those who would benefit most. Building on this approach through the launch of the Financial Inclusion Partnership bringing a range of key partners and stakeholders together to improve access and support for the most vulnerable NA residents.</p> <p>Increase the number of employability mentors in Justice Services, to support those with experience of the justice service into meaningful employment or training opportunities and to help divert away from criminal behaviours.</p> <p>Working closely with Housing colleagues to support transitions from care and ensuring care experienced young people can access a positive and stable housing destination.</p> <p>In our Drug and Alcohol Services, we are implementing actions to reduce the number of local drug and alcohol related harms and deaths. This includes implementing the national MAT (Medicated Assisted Treatment) standards and increasing the number of ABIs (Alcohol Brief Interventions) delivered across North Ayrshire.</p> <p>Through the Caring for Ayrshire programme, we have set out a phased approach to improve local primary care premises (GP Practices and Health Centres). This will improve overall professional capacity within GP practices for Multi-Disciplinary Teams, ensuring the right support is available for local people with health concerns.</p> <p>Investment in early intervention teams and approaches in Children's Services to support vulnerable families, including in Child Protection and Whole Family Support.</p> <p>The Council considers reducing inequalities to be at the heart of its work.</p> <p>The Communities and Education Directorate leads the Community Planning Partnership for the Council and the CPP has recently developed a new Local Outcomes Improvement Plan, the purpose of which is reducing inequalities. The themes are Wellbeing, Work and World, the latter addressing climate change and fuel poverty. Locality Planning priorities and Community Investment Fund funded initiatives are also focused on a range of inequalities, including poverty, age-related inequalities and digital inequalities. Recent CIF-funded projects have focused on employability, addictions and community food.</p> <p>The Directorate also leads the work of the Child Poverty and Cost of Living Board, chaired by the Council Leader. The five strategic themes of the Board to date have been:</p> <ul style="list-style-type: none"> <li>• No Wrong Door – access to services</li> <li>• Employability</li> <li>• Food</li> <li>• Islands</li> <li>• Childcare</li> </ul>		5	4

		<p>Work to address child poverty and the Cost-of-Living crisis includes a range of employability initiatives to support parents and people with disabilities, each of whom are Scottish Government priority groups.</p> <p>Progress has been made with partners through a series of mini-enquiries, ensuring that lived experience influences developments and actions. This is supported by the data and Single Shared Assessment projects being developed by the Transformation team, to provide holistic support for residents who need it most.</p> <p>The Child Poverty Early Intervention Fund is being used to address gaps in current planning and provision. Recent funding decisions have been made, as a consequence of the mini-enquiries - to support employability and travel, childcare developments and support for care experienced young people and families.</p> <p>The Scottish Government has provided a second year of funding to address inequalities on the islands.<sup>8</sup> This has been used to fund energy support, welfare advice and support, third sector interventions and school activities.</p> <p>The commitment to reducing inequalities is also reflected in the Communities and Education Directorate plans:</p> <ul style="list-style-type: none"> <li>• The Educational Service Improvement Plan</li> <li>• Connected Communities strategic plans and</li> <li>• Facilities Management plans.</li> </ul> <p>Examples of actions to reduce inequalities:</p> <ul style="list-style-type: none"> <li>• Deployment of Scottish Attainment Challenge funding to reduce the poverty related attainment gap in schools</li> <li>• Use of the Pupil Equity Fund to ensure equity of pupil experience in schools, at the discretion of head teachers</li> <li>• Cost of the School Day actions to reduce, for example, the cost of school uniforms and clothing, food and outings</li> <li>• Support for care experienced young people, both in schools and through youth services</li> <li>• Additional national and local investment in Active Schools to focus on inequalities and equity</li> <li>• The Fairer Food Network, with 14 community larders which support the needs of individual communities</li> <li>• A network of warm spaces and events to mitigate energy use and social isolation</li> <li>• Work to support “New Scots,” in schools, with families and in community settings through language support and capacity building, including women’s groups</li> <li>• LGBT support groups for young people and those over 18</li> <li>• Mentoring support for young people in secondary schools through a partnership with MCR Pathways</li> </ul> <p>Participation strategies for children and young people and adults to ensure our strategies and investment are informed by as wide a range of views as possible.</p>		
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>	<b>Change in Score</b>	<b>Approach</b>
Stable	20		No Change	Treat



Strategic Risk Action Plan				Date Updated	25-Jan-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p>Global and national conditions which affect the cost-of-living and poverty continue to undermine the effectiveness of local control measures. Substantial work continues to mitigate inequalities but child poverty data, for example, continues to show an increase. National data collection methodologies have changed which explains the change in part, but North Ayrshire continues to have c. 29% of children living in poverty.</p> <p>Although unemployment has reduced, it continues to be a driver of poverty, with in-work poverty a key factor.</p> <p>Access to benefits is a key driver of poverty and the range of strategies described above continues to ensure we are maximising access to entitlements. The Single Shared Assessment work will improve this.</p>	<p><b>25 January 2024:</b></p> <p>The wide range of strategies and initiatives described above, and further developed and implemented, will continue to make a significant contribution to a range of inequalities.</p> <p>Actions are being progressed and remain within the target dates for completion.</p>	31-Mar-2025	Audrey Sutton; Caroline Cameron	●	

<b>Risk Code</b>	SRR2425_R03	<b>Risk Title</b>	Financial Sustainability of the Health and Social Care Partnership	<b>Latest Note Date</b>	06-Feb-2024
<b>Risk Owner</b>	Caroline Cameron				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>		<b>Likelihood</b>	<b>Impact</b>
<p>Resources have not kept pace with the demand for and cost of social care services. The budget settlement for 2024-25 is extremely challenging with a gap of over £10m across the IJB. Financial modelling suggests significant ongoing challenges across the medium-term.</p> <p>There is no certainty around future funding against growing demand, increasing costs and demographic pressures, with one-year budget settlements remaining in place.</p> <p>The ongoing work to review the Integration Scheme and to develop new risk-sharing arrangements between the Council and Health Board in relation to the acute set aside and primary care prescribing present a financial risk to the Partnership.</p> <p>An overspend in the region of £3.7m is projected for 2023-24 which will reduce the reserves held by the Partnership to less than the recommended minimum level of 2%. Low-volume high-cost care packages and care placements and an increasing reliance on agency staff continue to present a particular financial challenge to the Partnership.</p>	<p>Funding levels could result in savings being made that are not in alignment with the strategic plan. This could impact on the future demand levels e.g. reduction in early intervention and prevention means that future demand is increased.</p> <p>An in-year overspend position impacts on financial reserves and ultimately poses a financial risk to the Council and NHS Board as funding bodies.</p> <p>Funding levels increase the requirement to transform services at scale and pace.</p>	<p>The IJB actively monitors the financial position with regular detailed reporting. Directors of Finance of the Council and Health Board have oversight and regular updates are provided to the Council's Cabinet.</p> <p>There is an integrated approach to managing the totality of NHS and Council resources delegated to the IJB. A three-year Medium-term Financial Outlook is updated on a rolling basis each year.</p> <p>Previous financial settlements have seen both partners meet the Scottish Government settlement conditions with any additional resources passed to the IJB.</p> <p>The IJB had uncommitted financial reserves of £5.821m at the beginning of April 2023, which remains towards the lower end of the good practice target of 2%-4%. In addition, £2m of additional reserves were set aside at the start of 23-24 to offset the likelihood of an overspend in-year, this reduces the impact on unearmarked reserves of the current projected overspend to £1.7m.</p> <p>The Partnership has developed a new 3-year Transformation Plan 2024-2027 which will be approved by the IJB in March 2024. There is £2.2m of earmarked reserves set aside to support service change and re-design.</p>		4	4
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Increasing risk	16			Increase from 12 to 16	Tolerate

Strategic Risk Action Plan				Date Updated	Feb-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Budget Monitoring - Regular budget monitoring reports to IJB are effective.	<p><b>06 February 2024:</b></p> <p>Budgets are closely monitoring by the finance team in conjunction with budget holders to enable corrective action to be taken and regular in-year budget monitoring reports are presented to the IJB.</p>	31-Mar-2025	Caroline Cameron; Paul Doak	●	
Corrective Action – Transformation Board is effective	<p><b>06 February 2024:</b></p> <p>A three-year Transformation Plan covering the period 2024-2027 will be approved by the IJB in March 2024. This focusses on addressing the future financial challenge in a sustainable way, as well as reviewing service delivery models and implementing local and national priorities.</p>	31-Mar-2025	Caroline Cameron; Paul Doak	●	



<b>Risk Code</b>	SRR2425_R04	<b>Risk Title</b>	Cyber Security	<b>Latest Note Date</b>	17-Jan-2024
<b>Risk Owner</b>	Fiona Walker				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>	<b>Likelihood</b>	<b>Impact</b>	
<p>The potential compromise of business operations or a data breach orchestrated via either digital channels or the IT infrastructure. This can include targeting of the user base. Risk derives from both Council operations and those of its supply chain.</p> <p>The increasing importance of delivering services through digital channels and maximising efficiency through effective and secure use of technology. This includes a growing adoption of cloud-based computing resources which extend processing capabilities, and associated risks, beyond the Council's network.</p> <p>Hybrid remote and mobile working is now the normal working practice for over 3,000 staff. Such a distributed work force increases the complexity of protecting against cyber and data protection risks.</p>	<p>Failure by Services to adopt and comply with strategies, policies and procedures may result in a failure to adequately ensure the desired levels of cyber-security required to maintain and protect council systems and data.</p> <p>There may be a significant impact on the authority through the release of personal and/or sensitive information resulting in a loss of public confidence and significant financial loss incurred through fines and service disruption.</p> <p>A successful cyber-attack (malicious external or internal action) on the Council's IT environments could also result in significant service disruption, loss of income streams and possible data loss/exposure.</p> <p>Impacts of a cyber-attack could include economic (i.e. inability to collect online payments), societal disruption (i.e. loss of diaries and client appointments), and reputational damage (i.e. loss of public confidence in digital services).</p>	<p>It is recognised that it is not possible for any organisation to expect to be completely protected against continually evolving cyber threats. A threat actor with sufficient motivation, resource and capability will be able to compromise the most secure system.</p> <p>The Council takes a sociotechnical approach to reducing risk by continually developing protective measures through technical, organisational and people-focused controls.</p> <p>Technical controls are implemented in areas such as network defences, secure configuration of systems, user authentication, malware protection, and vulnerability management. These are based on best practice and independently tested on an annual basis to confirm their effectiveness in accordance with compliance schemes.</p> <p>The Council maintains a comprehensive set of policies, standards, guidelines, metrics and reporting mechanisms as part of its information security governance structure. A comprehensive training and awareness programme is delivered to nurture a cyber-aware workforce and culture.</p>	4	4	
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Stable	16			No change	Treat




Strategic Risk Action Plan				Date Updated	17-Jan-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Incident Detection and Response – Recent cyber-attacks on public sector organisations highlight the need for robust incident detection and response procedures and technologies. The current response procedures been shown to be effective based on incidents experienced so far, however detection capabilities will need to be reviewed and improved.	<p><b>17 January 2024:</b></p> <p>A joint procurement of a Managed Security Operation Centre (SOC) service with other local authorities is being taken forward by the Digital Office. This has however been delayed due to resource challenges and to date no procurement timescales have been set.</p> <p>Given the delays to the national SOC procurement project, the Council will consider other SOC alternatives and Manage Detect &amp; Response (MDR) services.</p>	31-Mar-2025	Fiona Walker		
Training and Awareness	<p><b>17 January 2024:</b></p> <p>Cyber Security in person training has resumed with multiple sessions being organised to tackle the backlog incurred due to the pandemic.</p> <p>The Cyber Security Essentials E-Learning course is a mandatory training requirement for all staff with access to Council digital resources. Staff are also encouraged to complete this annually. In addition, the course has been converted into a briefing to provide as a toolbox talk to reach all of our workforce.</p> <p>Phishing simulations continued to be hosted to test the effectiveness of training and raise awareness.</p>	Ongoing	Fiona Walker		



<b>Risk Code</b>	SRR2425_R05	<b>Risk Title</b>	Transformation	<b>Latest Note Date</b>	09-Feb-2024
<b>Risk Owner</b>	Mark Boyd				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>		<b>Likelihood</b>	<b>Impact</b>
There is a risk that transformation and change activities, which are core to the future delivery models and long-term financial sustainability of both the Council and Health and Social Care Partnership, fail to deliver at the level of scale and pace required.	<p>Failure to deliver transformational change will impact on the Council's financial sustainability, effectiveness of service delivery and delivery of the outcomes set out in the Council Plan 2023-28 and the Local Outcome Improvement Plan (LOIP).</p> <p>Failure to deliver the HSCP Transformation programmes across the Partnership, involving North Ayrshire Council (NAC) and NHS Ayrshire &amp; Arran (NHSAA) services may lead to the identified outcomes not being delivered; resulting in financial instability, reduced performance, deteriorating patient outcomes, and reputational damage within North Ayrshire Health and Social Care Partnership (NAHSCP).</p> <p>Failure to embed cultural transformation activities may lead to difficulties in building future workforce capacity and in ensuring we have an engaged, skilled and knowledgeable workforce to meet service demand.</p>	<p>The transformation programme aligns to the Council Plan and is monitored via the Transformation Board. The Board is chaired by the Chief Executive.</p> <p>Workstreams have been developed across Transport and Travel, Accessing our Council, Land and Property assets, Sustainability, Financial Inclusion as well as ongoing reviews across Waste Services, ELC, Learning Resources and Housing.</p> <p>HSCP have an established Transformation Board to closely monitor progress with plans, regular updates on programme to the IJB and regular meetings with the Chief Executive and S95 Officer to review progress and mitigation plans. Cultural transformation activities continue to evolve to support the Council's transformation and improve effectiveness and capability. This includes sharing learning and skills, engagement, design experiments and a whole systems approach to transformation and change.</p> <p>Our workforce planning approach utilises a variety of tools and techniques, such as career development, succession planning, vacancy management, redeployment and early release schemes to ensure our workforce requirements for the future, in terms of skills and capabilities, are planned. Each Head of Service has a workforce plan, and these are monitored six-monthly with continued HR support and guidance to ensure service review and redesign of the workforce is on track.</p>		3	4
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Stable	12			Reduce from 16 to 12	Treat

Strategic Risk Action Plan				Date Updated	25-Jan-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
Existing project level governance and controls remain effective and are constantly reviewed.	<p><b>25 January 2024:</b></p> <p>Progress on Transformation projects continues to be governed and monitored via the Transformation Board which is chaired by the Chief Executive. Meetings held quarterly Workstreams have been fully developed and progress and all actions tracked. Financial efficiencies across commercial property, waste review, learning resource review, ELC review and the sustainability programme have been fed into the Council's Budget programme for 2024/25 to 2026/27.</p>	Quarterly	Mark Boyd / Chief Executive and Executive Directors		
Review current governance arrangements and project delivery in view of land and property workstream to seek optimal delivery aligned to the council's net zero ambitions.	<p><b>25 January 2024:</b></p> <p>Key progress made around Irvine Based locality property Review. Next stages to present Cabinet Paper in March 2024 to consider plans.</p>	March 2024	Mark Boyd / Chief Executive and Executive Directors		

<b>Risk Code</b>	SRR2425_R06	<b>Risk Title</b>	Climate Change		<b>Latest Note Date</b>	08-Feb-2024	
<b>Risk Owner</b>	Russell McCutcheon						
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>			<b>Likelihood</b>	<b>Impact</b>	
<p>Climate change is expected to continue and worsen in the future if no action is taken, with increases to mean global temperatures, sea level rises and the increasing frequency and severity of weather events such as floods, heatwaves, droughts and storms.</p> <p>More frequent and intense heavy rainfall events increase the risk of soil erosion and flooding.</p> <p>Rises in mean sea level increases risks of coastal erosion, flooding, saltwater intrusion and soil salinisation (risk to agricultural land and freshwater habitats).</p> <p>Severe weather is already affecting public services across Scotland, with operational, reputational, financial and legal consequences.</p> <p>There is also an ongoing impact of severe winter weather including snowfall and freezing temperatures which impact service delivery and the integrity of our roads open space and buildings infrastructure. This shift in weather patterns caused by climate change is also affecting biodiversity across Scotland.</p>	<p>Increased frequency of severe weather conditions and flooding events may lead to more instances of damage to Council infrastructure and property, interruptions to service delivery and increased demands on services, often with little notice.</p> <p>Risk to life, transport disruption and pollution to the local environment, as well as impact adversely on the local economy if businesses are unable to operate.</p> <p>Council requirement to provide immediate response and manage the adverse effects of more frequent and severe weather emergency situations, including support to local communities and businesses.</p> <p>The Council is required to comply with the 'Public Bodies Climate Change Duties' under the Climate Change (Scotland) Act 2009. These duties require the Council to assess the risks, threats and opportunities associated with climate change and identify actions to increase resilience to climate change.</p>	<p>North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>Following implementation of the Council's third Environmental Sustainability and Climate Change Strategy (2021-23), Cabinet approved the new Sustainable North Ayrshire Strategy (2024-27) in December 2023. This strategy provides a road map to achieve the net zero carbon emissions by 2030 target.</p> <p>There are 5 workstreams within the Sustainable North Ayrshire strategy, namely Energy, Nature, Transport, Waste and Adaptation. We continue to utilise Adaptation Scotland's Capability Framework to ensure North Ayrshire takes a strong, proactive approach to adapting to climate change. Officers are participating in the Sustainable Scotland Network's 'Adaptation Scotland Benchmarking Group' to learn and share best practice with other local authorities.</p> <p>Adaptation actions are identified within the Ayrshire Flood Risk Management Plan (2021), the Ayrshire Local Flood Risk Management Plan (2022), the Ayrshire Shoreline Management Plan and in the Adaptation Capability Framework.</p> <p>Flood studies are undertaken to help the Council identify areas that are at risk of flooding and to appraise options to reduce flood risk to communities and infrastructure.</p> <p>In addition, actions to mitigate Climate Change risk are held within strategies such as the Core Paths Plan, Outdoor Access Strategy, Local Biodiversity Action Plan, and Weather and Winter Emergencies Plan. Asset management plans are in place which are regularly reviewed for our Roads, Fleet, Housing, Property and Open Spaces.</p> <p>Furthermore, through the Ayrshire Civil Contingencies Team there are emergency planning arrangements in place in the event of severe weather and flooding conditions causing major disruption and damage to the area or to individual communities within it.</p>			4	4	
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>				<b>Change in Score</b>	<b>Approach</b>
Stable	16					No change	Treat

Strategic Risk Action Plan			Date Updated	08-Feb-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG
<p><b>Reducing Carbon Emissions:</b></p> <p>North Ayrshire Council declared a Climate Emergency in June 2019, committing to act on climate change and reduce carbon emissions. In January 2020 the Council approved the target to become net-zero carbon by 2030, for both Council estate emissions and area-wide emissions.</p> <p>The Council has taken action against climate change since our first Carbon Management Plan in 2006/07, by working to reduce emissions associated with Council services, and using the baseline year of 2005/06 from which to measure progress.</p> <p>Since the baseline year of 2005/06, Council estate emissions have reduced by 68.9%, from 67,719 tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) to 20,940 tCO<sub>2</sub>e (a reduction of 854 tCO<sub>2</sub>e from the previous year). Area-wide emissions are published by BEIS. Current records show total emissions have reduced across North Ayrshire by 42.6%, from 1,437 kilo-tonnes of carbon dioxide (ktCO<sub>2</sub>) in 2005 to 835 ktCO<sub>2</sub> in 2019.</p> <p>To ensure North Ayrshire Council can develop a leading, cross-sector and community led approach we established a Climate Change Steering Group (CCSG) in 2021. The CCSG is chaired by the Cabinet Member for Green Environment and Economy, and brings together young people, local businesses and community organisations from across North Ayrshire.</p> <p>Existing controls remain effective and are under review as our response to climate change develops and we progress towards achieving net zero by the 2030 target.</p>	<p><b>8<sup>th</sup> February 2024:</b></p> <p>Implementation of the Sustainable North Ayrshire strategy, which includes 9 strategic principles and 46 actions under the 5 workstreams of Energy, Nature, Transport, Waste and Adaptation. The 9 strategic principles which are being implemented are:</p> <ol style="list-style-type: none"> <li>1. We will take a whole system approach (including behaviour change) to tackling climate change as far as possible, including identification of optimal approaches to achieve social and economic benefits alongside environmental ones.</li> <li>2. We will continue to clarify and report transparently on our emissions so that the North Ayrshire emissions baseline is clearly understood.</li> <li>3. We will complete a Local Heat and Energy Efficiency Strategy to help understand where efforts to reducing emissions and reducing fuel poverty are best focused.</li> <li>4. We will prioritise actions in relation to two of the biggest emissions sources where have the most influence, commonly referred to as 'heat and fleet', including through project pathfinder approaches for decarbonisation of domestic and non-domestic buildings and vehicles to bring scale and pace to emissions reduction.</li> <li>5. We will work with stakeholders, including the Scottish Government, to articulate the potential costs and skills requirements to meet our net-zero aspirations.</li> <li>6. We will expand on the need for adaptation measures, recognising mitigation alone will not combat the impacts of climate changes on communities.</li> <li>7. We will identify opportunities for expansion of carbon sinks and other carbon capture technologies, which are expected to be an essential element of our net-zero strategy to mitigate residual emissions by 2030.</li> <li>8. We will seek to expand the remit and membership of the CCSG to enable us to work more closely with communities, taking account of outcomes from recent projects such as Climate Action Towns and Carbon Neutral Islands.</li> <li>9. We will explore the potential for carbon accounting, including carbon budgets for Council services, to support our journey to net-zero.</li> </ol> <p>Updates on progress are provided through the Council's performance reporting system, Pentana, on a quarterly basis, and governed through the Sustainability Board. Actions are designed to be directly and indirectly responsible for carbon reduction and deliver other socio-economic benefits.</p>	31-Mar-2027	Russell McCutcheon	

Strategic Risk Action Plan				Date Updated	08-Feb-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<p><b>Flood Risk Management Plan:</b></p> <p>Cycle 2 of the Ayrshire Local Flood Risk Management Plan has been developed and was published on 31<sup>st</sup> December 2022.</p> <p>Studies and modelling will be undertaken to identify and prioritise vulnerable areas where financial damage and risk to life are most likely.</p> <p>There is an ongoing programme of monthly inspections of debris screens which have been installed to prevent vulnerable culverts from blocking and causing flooding. CCTV inspections of culverts are also undertaken to identify blockages and deterioration of assets that might cause flooding. This has been effective in reducing flooding, although there are capacity issues h that this process cannot address.</p> <p>The Upper Garnock Valley FPS has been completed and is currently providing flood protection.</p> <p><b>Ayrshire Shoreline Management Plan:</b></p> <p>The Ayrshire Shoreline Management Plan will be replaced with a Coastal Change Adaptation Plan. The adaptation plan will enable the Council and other stakeholders to effectively plan our future actions whilst allowing for flexibility in response to future changes. It will incorporate recent international and UK advances in adaptation and shoreline management planning to allow for local interpretation and involvement.</p>	<p><b>22 February 2024:</b></p> <ol style="list-style-type: none"> <li>1. We will undertake the actions outlined in cycle 2 of the Ayrshire Local Flood Risk Management Plan.</li> <li>2. We will continue to look for opportunities to implement Natural Flood Management and we will develop a range of further flood protection measures, which can be put forward as schemes for inclusion in cycle 3 of the Ayrshire Flood Risk Management Plan and the Ayrshire Local Flood Risk Management Plan.</li> <li>3. We will complete the Millport Coastal FPS and the Mill Burn FPS.</li> <li>4. We will continue to Inspect culverts, screens and watercourses for clearance and repair work in accordance with the published schedule and prioritise maintenance works that would substantially reduce flood risk. Efforts will be made to continue to identify unknown culverts and add these assets to the ongoing inspection and maintenance process.</li> <li>5. We will develop the Ayrshire Coastal Change Adaptation Plan in partnership with South Ayrshire Council and other stakeholders.</li> </ol>	30-06-2028	Thomas Reaney	●	



<b>Risk Code</b>	SRR2425_R07	<b>Risk Title</b>	Community Capacity Building and Empowerment	<b>Latest Note Date</b>	05 February 2024
<b>Risk Owner</b>	Rhonda Leith				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>	<b>Likelihood</b>	<b>Impact</b>	
<p>Unrealistic timescales for implementation of aspects of legislation of the Community Empowerment Act (Scotland) 2015, such as Community Asset Transfer.</p> <p>Pressure to support community capacity building and the variation of needs within a reducing workforce.</p> <p>Duplication of effort across HSCP and Locality Partnerships to foster community participation and deliver engagement activities.</p> <p>Complying with the complex and resource intensive consultation legislation in service redesign.</p> <p>Rising energy and utility costs relating to property management.</p> <p>Budget savings and pressure on property maintenance budgets.</p>	<p>Where the risk is not managed effectively the potential benefits of community capacity building and empowerment may be lost.</p> <p>Widening inequality gap between those communities where levels of capacity and engagement with the empowerment agenda are high and those with less social capital where interest remains low, which constrains the ability to influence the planning and delivery service.</p> <p>Any disconnect between the Council's aspirations, community appetite for increasing ownership of assets and what communities themselves feel able and prepared to commit to can result in community assets reverting back to Council.</p> <p>Accelerating asset transfer risks losing services and facilities and risks the ability to plan, connect and deliver strategic services.</p> <p>Over-engagement carries disengagement and engagement fatigue.</p> <p>Increased property costs can be a deterrent for organisations engaging and completing the CAT process.</p> <p>Lack of budget to undertake proactive maintenance may result in NAC buildings falling into disrepair detracting organisations from progressing to lease and or ownership of NAC assets.</p>	<p>Ongoing commitment to community empowerment and locality partnerships from CPP.</p> <p>Six locality partnerships and alignment with HSCP locality arrangements.</p> <p>Leadership of the CPP Senior Officers' Group.</p> <p>Enabling approach with community partners and support with third sector interface to build capacity and identify opportunities for growth and sustainability.</p> <p>Reviewed guidance and processes relating to community empowerment functions.</p> <p>Participatory budgeting approach local grants, commitment to PB with partners and leading practice in mainstreaming participatory approaches</p> <p>External funding bid help for groups through regular meetings with third sector, funders and funding officers.</p> <p>Membership of The Consultation Institute.</p> <p>Investment from Community Asset Transfer Start Up Fund, prioritising additional staffing capacity to support CAT in Connected Communities and TACT.</p> <p>A collaboration and shared resource approach across Connected Communities Teams will be taken to ensure the Service deliver on this priority.</p>	4	4	
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Stable	16			Increase from 12 to 16	Tolerate

Strategic Risk Action Plan				Date Updated	05 Feb 2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
<b>Implementation of Community Empowerment Act:</b> Existing controls remain effective and are kept under review.	<b>05 February 2024:</b> Strategic CLD Plan 2021-2024 identifies priorities for capacity building and the programme of community support is addressing needs. No further update at this time.	31-Mar-2025	Rhonda Leith	●	
	<b>05 February 2024:</b> Post implementation the plan will be monitored and reported as per statutory timescales.	31-Jul-2024	Rhonda Leith	●	
<b>Staff capacity:</b> Existing controls remain effective however forthcoming VER structure changes will result in a reduction of CLD professional staff and risks further pressures on staff to deliver effectively to key outcomes.	<b>05 February 2024:</b> CLD service redesign will be implemented from 1 <sup>st</sup> of April with a 6-month review date. The redesign in light of VER impacts has resulted in the loss of the Capacity and Empowerment Team, all key priorities of the team will be embedded in the newly formed localities Contact agreement established with key 3 <sup>rd</sup> Sector organisations This will mitigate the impact on developments of the key outcomes as detailed in the CLD plan. The CLD plan review will commence in April, following guidance due to be issued by the Scottish Government which will be informed by the National Review Of CLD.	31-Jul-2024	Rhonda Leith	●	
<b>Duplication of effort:</b> Clearly defined roles and lean processes are reviewed and maintained to avoid duplication of effort and minimise time and resource wastage. The team foster open communication channels with both staff and key stakeholders.	<b>05 February 2024:</b> Existing controls are effective but remain under proactive review.	31-Jul-2024	Rhonda Leith	●	
<b>Consultation:</b> Existing controls remain effective. Existing controls remain effective and hybrid engagement models have been implemented post covid to encourage and provide greater access to participation.	<b>05 February 2024:</b> Proactive review 6 months post VER restructure to assess the effectiveness of CLD support for community engagement and consultation. No further update at this time.	31-Jul-2024	Rhonda Leith	●	
Increased property costs and lack of investment in community assets.	<b>05 February 2024</b> A collaborative approach involving PMI and CC is being used to survey and evaluate community buildings that require investment. CAT funds have been identified for corrective actions, which will involve incorporating green investments to support future CAT and Service development initiatives.	31-Jul-2024	Rhonda Leith	●	

<b>Risk Code</b>	SRR2425_R08	<b>Risk Title</b>	Property Asset Risk	<b>Latest Note Date</b>	08-Feb-2024
<b>Risk Owner</b>	Russell McCutcheon				
<b>Risk Proximity Factors</b>	<b>Consequences / Impact</b>	<b>Existing Risk Control Measures</b>		<b>Likelihood</b>	<b>Impact</b>
<p>The long-term impact of restricted budget availability for investment in the Council's property assets means these assets means they are in declining condition and have greater long term investment needs.</p> <p>Systemic building safety issues have been evidenced by issues such as national high profile safety issues, and the presence of RAAC through the public sector property portfolio. These have highlighted the substantial increasing burden of property asset management.</p> <p>There have been a number of near misses or critical failures of aging heating plant and equipment which the council cannot afford to replace on a programmed basis.</p> <p>Inflationary pressures, and on-going volatility in the construction &amp; related activities sphere, place further difficulties in the ability of restricted budgets to address all priorities.</p>	<p>Maintenance issues and failure of building components are increasingly likely to result in disruption to service delivery. There is also an increasing risk of health and safety and statutory compliance obligations not being achieved.</p> <p>Property events requiring significant interventions leading to service disruption, closure of facilities, decant etc. are in increasing in frequency and often over-lapping (often coinciding with weather events).</p>	<p>Property condition information is gathered and recorded within the Council's electronic asset management system, providing a baseline to measure building element lifecycle replacement requirements across the corporate estate.</p> <p>Limited investment is therefore targeted on priorities.</p> <p>Reactive maintenance, and statutory compliance are also undertaken corporately by PMI by appropriately trained / experienced staff.</p> <p>There is an on-going Transformation programme workstream focusing on property rationalisation as a means of reducing the financial burden of the estate through reducing overall area occupied (aligned to carbon reductions).</p> <p>Post Incident reviews and lessons learned exercises with actions undertaken where feasible to do so.</p> <p>Risk based property reviews are underway to examine, on a property by property basis, where property risks have the potential to impact service delivery. The information gathered influences both investment plans and business continuity plans. This work is on-going in respect of the school estate and is being rolled-out to other services' assets.</p>		4	5
<b>Status</b>	<b>Risk Score</b>	<b>Heat Map</b>		<b>Change in Score</b>	<b>Approach</b>
Increasing	20			New Risk	Tolerate



Strategic Risk Action Plan				Date Updated	08-Feb-2024
Analysis of Effectiveness of Controls	Further Action Required	Target Date for Completion	Officers Responsible	Current Status: RAG	
CC&M team within PMI managing reactive maintenance and statutory compliance.	Team resources stretched; however, restricted budgets are principal risk.	Ongoing	Russell McCutcheon	●	
Asset management team within PMI collecting asset condition information and leading prioritisation of lifecycle investment.	Improved asset management system is being investigated; however, restricted budgets are principal risk.	Ongoing	Russell McCutcheon	●	
Property rationalisation programme	Locality based property review work currently underway to increase scale and pace of implementation.	Ongoing	Russell McCutcheon	●	
Risk based property review process	Requires up to date property information, including client information and cross service buy-in to be effective.	Ongoing	Russell McCutcheon	●	



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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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**Title:** Internal Audit Annual Report 2023/24

**Purpose:** To provide the Committee with an annual report on the work of Internal Audit during 2023/24 and provide an opinion on the governance, risk management and internal control environment of the Council.

**Recommendation:** The Committee is asked to note the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

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**1. Executive Summary**

1.1 The purpose of this report is to present the annual report on the internal audit activity during 2023/24, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2024.

**2. Background**

2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor prepares an annual report on the activities of Internal Audit and that the report should contain a view on the adequacy of the Council's governance, risk management and internal control frameworks. The annual report for 2023/24 is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the section during the year and the key audit findings. It also contains the annual internal audit opinion.

2.2 The required annual report for financial year 2023/24, together with the statement on internal controls, is included in Appendix 1.

2.3 The revised internal audit plan for 2023/24 (approved by the Audit and Scrutiny Committee in November 2023) has been substantially completed. Audit fieldwork remains in progress on eight assignments. One audit assignment is at draft report stage, meaning the assurance opinion can be included in the overall annual audit opinion.

2.4 All audit findings during the year support and inform the objective opinion of the Senior Manager (Audit, Fraud, Safety and Risk) on the adequacy of the Council's

governance, risk management and internal control environment. The assurance category given to each individual audit informs the overall level of assurance.

2.5 The annual internal audit opinion also contributes to the Annual Governance Statement which is published as part of the Council's annual accounts and is included under separate cover to this Audit and Scrutiny Committee meeting for approval.

2.6 Based on the audit work carried out, the opinion of the Senior Manager (Audit, Fraud, Safety and Risk) is that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

### **3. Proposals**

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

### **4. Implications/Socio-economic Duty**

#### **Financial**

4.1 None.

#### **Human Resources**

4.2 None.

#### **Legal**

4.3 None.

#### **Equality/Socio-economic**

4.4 None.

#### **Climate Change and Carbon**

4.5 None.

#### **Key Priorities**

4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

#### **Community Wealth Building**

4.7 None.

### **5. Consultation**

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

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

**Background Papers**

None.

## INTERNAL AUDIT ANNUAL REPORT 2023/24

### 1. Introduction

- 1.1. The purpose of this report is to summarise the Internal Audit activity for 2023/24 and provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.
- 1.2. The Council's Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Risk) reports to the Section 95 Officer, with the right of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any audit matter. These rights of access help ensure the organisational independence of Internal Audit.
- 1.3. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective control. It is the responsibility of management to have adequate controls in place and to ensure these controls are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedure. Such systems of internal control can provide only reasonable and not absolute assurance against loss.

### 2. Reporting requirements of the Public Sector Internal Audit Standards (PSIAS)

- 2.1. Internal Audit operates in accordance with the PSIAS requirements and is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 2.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Scrutiny Committee in March 2023.
- 2.3. The PSIAS places a number of reporting obligations on the Chief Internal Auditor in respect of the annual report. These obligations are summarised below:

PSIAS Ref	Requirement	Evidence
1110	The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.	The Senior Manager reports directly to the Audit and Scrutiny Committee, and unfettered access is available to the Chief Executive as required.
1320	The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	The results of the external quality assessment, carried out in 2022, were reported to the Audit and Scrutiny Committee in September 2022. All actions are complete.

PSIAS Ref	Requirement	Evidence
2450	The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.	This report to Audit and Scrutiny Committee provides the annual report and statement of assurance on internal controls.
2450	The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	This report to Audit and Scrutiny Committee provides the annual statement of assurance at <a href="#">Annex B</a> .
2450	The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.	This report to Audit and Scrutiny Committee provides a statement on the conformance with the PSIAS at Section 5 below.

### 3. Planned and Actual Activity during 2023/24

- 3.1. The internal audit plan was approved by the Audit and Scrutiny Committee in March 2023 with a mid-year change to the plan approved in November 2023. Productive time is allocated in the plan to the delivery of audit assignments with a balance of time retained within the service for non-productive activities which includes management and strategy, attendance at meetings, administration and staff training and development.
- 3.2. The mid-year revised plan included 26 assignments where an audit output was anticipated. Eleven of these have been completed, one is at draft report stage, eight are at various stages of work in progress, one is not started, and five are deferred. The results of the draft reports and work in progress assignments will be reported to a future meeting of the Audit and Scrutiny Committee.
- 3.3. In line with the Council's defalcation procedures, all instances of suspected fraud and irregularity should be reported to Internal Audit. These are investigated by the specialist Corporate Fraud Team and are not included within this annual report.
- 3.4. All audit reports finalised during 2023/24 were reported to meetings of the Audit and Scrutiny Committee. A summary of outputs achieved are included in [Annex A](#).
- 3.5. The outcomes from the audit work during the year have primarily been positive, with mostly substantial and reasonable assurance opinions. Two audit reports have been finalised during the year where elements of the scope have resulted in a limited assurance opinion. These are as follows:
  - An HR/Payroll system review was carried out covering the CHRIS21 HR and Payroll system used by the Council. From that review, reasonable assurance was obtained with regard to administration of payroll processes. However there was

limited assurance obtained on the timely administration by services to provide accurate and timeous information to ensure the effectiveness and accuracy of payroll runs. The HR/Payroll Team are continuing to liaise with services to ensure these matters are promptly rectified. This includes reminders to services, but also the development of reporting around absence and overpayments which will allow all Heads of Service to reiterate the importance of these matters with their managers.

- A substantial cross-service review of Cyber Resilience Business Continuity was carried out, as Internal Audit continues to work through the categories and domains contained within the Scottish Government's Cyber Resilience Framework. Again this review concluded with a split opinion. Reasonable assurance was obtained for most areas within the scope of the review, however there was limited assurance obtained with regards to the Data Protection Impact Assessment (DPIA) section of the audit due to all systems sample tested as part of the audit either having no DPIA in place or no DPIA signed off by the Data Protection Officer. The services are working with the Information Governance Team to ensure the prompt sign off of all outstanding DPIAs. The DPIA tracker held by Information Governance has also been further developed to reflect the various stages of the outstanding DPIAs.

3.6. It is important to also highlight some of the most positive outcomes arising from the audit work concluded during the year. This includes reviews of Financial Resilience and Viability, and Workforce Planning, both of which are significant priorities for the Council and both concluded with substantial audit opinions. This provides evidence that these most significant risks for the Council are being effectively managed in line with best practice.

3.7. These findings, together with those from other audits carried out and the individual assurance levels, contribute to the annual internal audit opinion in [Annex B](#) of this report.

#### **4. Audit Resources**

4.1. The Internal Audit section is directly managed by the Team Manager (Internal Audit), who reports to the Senior Manager (Audit, Fraud, Safety and Risk). The Senior Manager is responsible for Internal Audit, as well as Corporate Fraud, Risk and Insurance and Corporate Health and Safety.

4.2. As well as the Team Manager, the Internal Audit team consisted of two part-time Internal Auditors as well as a part-time Computer Auditor.

4.3. All staff within the section hold a relevant qualification, either through an institute which is part of the Consultative Committee of Accountancy Bodies (CCAB) or the Institute of Internal Auditors (IIA).

4.4. The Internal Audit Charter requires the Senior Manager to report to the Section 95 Officer and the Audit and Scrutiny Committee if resources available fall below an acceptable level for the audit work required. No instances of resource limitation have occurred during 2023/24.

#### **5. Performance**



- 5.1. During 2023/24, Internal Audit provided regular updates to the Audit and Scrutiny Committee on the activities of the service. Elected Members had the opportunity to discuss all Internal Audit reports and question either the Senior Manager or relevant officers from Council services. The Senior Manager carried out Elected Member training to the Committee in May 2022, individual training for new members joining the Committee during the year, and further training is planned for 2024.
- 5.2. The Council's performance management system, Pentana, is used to follow-up on audit action points. Officers with responsibility for implementing audit actions are required to update the system and updates are provided to the Audit and Scrutiny Committee on a quarterly basis. Where actions are overdue, officers are required to attend the Committee to update Elected Members on plans to ensure that actions are implemented.
- 5.3. The Senior Manager is required to confirm annually internal audit's compliance with the Public Sector Internal Audit Standards (PSIAS). A significant achievement during 2022/23 was the successful completion of the External Quality Assessment. Under the terms of the PSIAS, each organisation's Internal Audit team is required to undertake an External Quality Assessment (EQA) at least once in each five-year period. This helps to ensure compliance with the standards.
- 5.4. A peer to peer review network of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) is in place. The review of the Council's Internal Audit team was completed by West Dunbartonshire Council and was reported to the Audit and Scrutiny Committee in September 2022. The review assessed the compliance of the Council's Internal Audit team with the 14 sections of the PSIAS and noted that the team fully conforms with 13 of the standards and generally conforms with the remaining one. Overall the assessor was able to provide substantial assurance that the Council's Internal Audit team complies with the requirements of the PSIAS. There were four minor routine recommendations for improvement to further improve compliance, and these have all been completed. In summary, the Internal Audit service continues to conform with the PSIAS.
- 5.5. Internal Audit has a strong working relationship with all Council services and is frequently asked for audit advice on an ad-hoc basis. The volume of these requests is outwith the control of Internal Audit however it is important that Internal Audit responds to these requests when asked, as it ensures advice is provided at the right time to ensure organisational value is maximised. In 2023/24, there were 36 requests for service advice. Added to this, Internal Audit is included on the project board of a number of Corporate working groups, and these are listed in [Annex A](#).

## **6. Other Responsibilities**

- 6.1. The Senior Manager is also the Chief Internal Auditor for the North Ayrshire Integration Joint Board (NAIJB). In the interests of information sharing, the results of the NAIJB audit work are shared with the Audit and Scrutiny Committee.

## **7. Opinion**

- 7.1. There is a formal requirement for the Chief Internal Auditor to prepare an assurance statement on the adequacy of internal control systems within the Council. The internal audit annual statement on the adequacy of internal controls is included in [Annex B](#).

## **8. Conclusion**

- 8.1. The 2023/24 internal audit plan has been substantially completed. There are no limitations of scope to the issued audit opinion.

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
<b>COMPLETED WORK</b>							
Assurance	Glow	Reasonable	05/09/2023	0	4	0	4
Investigation	Transport	Substantial	05/09/2023	0	0	0	0
Assurance	Payroll Transaction Testing*	Reasonable	05/09/2023	1	3	0	4
Assurance	ASN Provision*	Reasonable	05/09/2023	2	1	0	3
Assurance	Income Collection*	Reasonable	05/09/2023	1	1	0	2
Assurance	Accounts Payable Transaction Testing Q2	Reasonable	14/11/2023	2	1	0	3
Assurance	Carers (Scotland) Act 2016	Substantial	14/11/2023	0	1	0	1
Assurance	Early Years Provision*	Substantial	14/11/2023	0	0	1	1
Assurance	Financial Resilience and Viability	Substantial	14/11/2023	0	0	0	0
Assurance	Employee Services HR/Payroll System and Processes*	Reasonable/Limited	25/01/2024	3	1	0	4
Assurance	ICT Supplier Management*	Reasonable	25/01/2024	0	3	0	3
Assurance	Workforce Planning	Substantial	21/03/2024	0	0	0	0
Assurance	Standalone Early Years Centres	Reasonable	21/03/2024	0	1	0	1
Assurance	Community Resources Keyholding	Substantial	21/03/2024	0	0	0	0
Assurance	Procurement Cards	Substantial	30/05/2024	0	0	0	0
Assurance	Ayrshire Growth Deal – Revenue Projects	Substantial	30/05/2024	0	1	0	1
Assurance	Cyber Resilience Business Continuity	Reasonable/Limited	30/05/2024	5	8	0	13
Annual Accounts	Community Councils	n/a	n/a	n/a	n/a	n/a	n/a
Annual Accounts	Tenants and Residents Associations	n/a	n/a	n/a	n/a	n/a	n/a
<b>REPORTING PHASE**</b>							
Assurance	Supply Teachers	Substantial	0	0	0	0	0
<b>WORK IN PROGRESS</b>							

Type	Audit	Opinion	Reported to A&S Committee	Actions Arising			
				Priority 1	Priority 2	Priority 3	Total
Assurance	Movers/Leavers Education	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Property Asset Management	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Payroll Transaction Testing	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Community Based Support – Adults	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	iPayImpact	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Housing Rental Income and Arrears	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Regeneration Delivery Plan and Funding	tbc	tbc	tbc	tbc	tbc	tbc
Assurance	Code of Corporate Governance	tbc	tbc	tbc	tbc	tbc	tbc
<b>NOT STARTED</b>							
Assurance	Community Funding	tbc	tbc	tbc	tbc	tbc	tbc
<b>OTHER/ONGOING</b>							
Consultancy	O365/Information and Collaboration Project Board	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Sustainability and Climate Change	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Municipalisation Project Board	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Education Maintenance Allowance (EMA)	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Waste review	n/a	n/a	n/a	n/a	n/a	n/a
Consultancy	Education processes for employees	n/a	n/a	n/a	n/a	n/a	n/a
Small Advisory	36 various requests	n/a	n/a	n/a	n/a	n/a	n/a

\* 2022/23 audit but not sufficiently concluded at the time of the 2022/23 annual report, therefore opinion included 2023/24.

\*\* Audits not yet finalised but sufficiently in draft to conclude on the level of assurance.

## **Internal Audit Annual Statement on the Adequacy of Internal Controls**

### **To the Members and Chief Executive of North Ayrshire Council**

As Chief Internal Auditor for North Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2024.

### **Respective responsibilities of management and internal auditors in relation to governance, risk management and control**

It is the responsibility of the Council's senior management to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are properly applied in a manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Sound internal controls**

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of internal control.

### **The work of internal audit**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Internal Audit section operates in accordance with United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into force with effect from 1 April 2013 (updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and takes into account the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks and priorities of the organisation. The plan, and any material changes to the plan during the year, are approved by the Audit and Scrutiny Committee.

All internal audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Matters arising from internal audit work are also reported to the Chief Executive, Head of Finance (as Section 95 Officer), Members of the Audit and Scrutiny Committee, and external audit.

### **Summary of Internal Audit Activity 2023/24**

A total of 17 internal audit reports have been issued during 2023/24. Eight audit opinions give substantial assurance and seven reasonable assurance. Two reports with a wider scope have combined audit opinions of Limited/Reasonable. A further audit report is in draft and anticipated to have a Substantial assurance opinion. A diverse range of audit areas have been covered during the year. As well as planned assignments, Internal Audit also offers advice and guidance on the Council's control environment as and when required and will carry out non-fraud investigations which are brought to our attention.

A range of recommendations have been raised in the areas covered by the 2023/24 internal audit plan. Many expected key controls have been in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. All 40 action points raised in the year have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment.

### **Basis of Opinion**

The evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit during the year to 31 March 2024;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- reports issued by the Council's external auditors and other review and inspection agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and

- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

**Opinion**

On the above basis, Internal Audit can provide reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2023/24.

**Laura Miller FCCA**  
**Senior Manager (Audit, Fraud, Safety & Risk)**  
**30 May 2024**





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**NORTH AYRSHIRE COUNCIL****30 May 2024****Audit and Scrutiny Committee**

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**Title:** Corporate Fraud Team Annual Report 2023/24**Purpose:** To provide the Audit and Scrutiny Committee with an update report on the work of the Corporate Fraud Team during 2023/24.**Recommendation:** That the Committee notes the work carried out by the Corporate Fraud Team.

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**1. Executive Summary**

- 1.1 The Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation.
- 1.2 Committee receives bi-annual updates on the work of the team. A mid-year update for 2023/24 was provided in November 2023 and this report provides an overview of the key activities and outcomes for the full year.

**2. Background**Investigation Work

- 2.1 Referrals for investigation have been made to the team from a number of different sources, including Revenues and Benefits and Housing, members of the public and other agencies and local authorities. The publicity used by the team, including posters and leaflets, advertising on Council vans and contact information on the Council website, continues to be successful in generating a stream of referrals.
- 2.2 Investigations have been carried out across a range of areas including employee-related matters as well as Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. Although responsibility for investigating Housing Benefit fraud now lies with the DWP Single Fraud Investigation Service (SFIS), issues may be identified by the Corporate Fraud Team which can result in changes being made to benefits in payment. Formal joint working arrangements are in place with the DWP for cases where there are suspected frauds relating to both DWP benefits and Council Tax Reduction.
- 2.3 The team investigates all tenancy abandonments which are referred by Housing. While Housing focus on recovering the tenancy, the Corporate Fraud Team can add

value by locating the missing tenant, which can often lead to changes to benefits or discounts in payment elsewhere, as well as enabling Housing to recover costs associated with house clearances and cleaning.

- 2.4 Employee-related investigations are the subject of a separate report to the appropriate Service and the findings are also reported to the Audit and Scrutiny Committee as each investigation is finalised.

Outcomes 2023/24

- 2.5 The team received 398 referrals for investigation during 2023/24 (2022/23: 357 referrals). All referrals made to the team are investigated although many can subsequently prove unfounded.

- 2.6 385 cases were closed during 2023/24 (2022/23: 346 cases). These can be categorised as follows:

<b>Outcome</b>	<b>Number of Cases</b>
Closed with no issues identified	184
Referred to another agency (including SFIS) or Council Service for investigation	81
Closed with results achieved (fraud, error or other recovery/action)	120
<b>TOTAL</b>	<b>385</b>

- 2.7 Fraud and error totalling £0.139m were identified and are categorised in the table below:

<b>Category</b>	<b>Value (£000)</b>
Housing Benefit	27
Council Tax (including CTR, Single Person Discount and other recoveries)	84
Discretionary Housing Payments	2
Care Fees	18
Other	8
<b>TOTAL</b>	<b>139</b>

- 2.8 In addition to the financial outcomes noted above, other outcomes/benefits were noted as follows:

- 69 tenancies were recovered by Housing with some assistance from the Corporate Fraud Team.
- 65 referrals were made to the Single Fraud Investigation Service.
- 22 referrals were made to other services, local authorities or agencies.
- In respect of blue badge cases investigated, two cases concluded with a warning letter to the badge holder, two warning letters were issued to third parties, and one badge was recovered.
- 22 investigations resulted in updates and corrections to records.
- Five internal investigation reports have been taken forward with recommended actions for control improvements.

### International Fraud Awareness Week

- 2.9 International Fraud Awareness Week took place from 12 – 18 November 2023. IFAW was promoted throughout North Ayrshire Council by social media campaign.

### National Fraud Initiative (NFI)

- 2.10 The National Fraud Initiative (NFI) is a long-established exercise which takes place across the UK every two years and involves the matching of relevant datasets across public bodies to identify possible fraud or error for further investigation.
- 2.11 The latest data sets were submitted to the Cabinet Office in October and November 2022, with most matches released in early 2023. However, a number of matches have been released more recently in late 2023 and early 2024. This information has been disseminated to the appropriate teams across the council for investigation.
- 2.12 The National Exercise and the ReCheck exercise for 2022/23 is now complete. Audit Scotland will publish their national report in summer 2024, and thereafter the Audit and Scrutiny Committee will receive details of the full results as they relate to North Ayrshire.

### Compliance with the Code of Practice

- 2.13 CIPFA published their Code of Practice on *Managing the Risk of Fraud and Corruption* in 2014. The Code covers five key principles which are to:
- Acknowledge the responsibility of the governing body for countering fraud and corruption;
  - Identify the fraud and corruption risks;
  - Develop an appropriate counter fraud and corruption strategy;
  - Provide resources to implement the strategy; and
  - Take action in response to fraud and corruption.
- 2.14 Each principles has specific steps which are required to be met in order to comply with the Code. A self assessment against the Code, its principles, and its specific steps has been carried out. Having considered these principles, it is concluded that North Ayrshire Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

## **3. Proposals**

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

#### **4. Implications/Socio-economic Duty**

##### **Financial**

4.1 None.

##### **Human Resources**

4.2 None.

##### **Legal**

4.3 None.

##### **Equality/Socio-economic**

4.4 None.

##### **Climate Change and Carbon**

4.5 None.

##### **Key Priorities**

4.6 The work of the Corporate Fraud Team helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

##### **Community Wealth Building**

4.7 None.

#### **5. Consultation**

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

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

##### **Background Papers**

None

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**NORTH AYRSHIRE COUNCIL****30 May 2024****Audit and Scrutiny Committee**

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<b>Title:</b>	<b>Internal Audit and Corporate Fraud Action Plans: Quarter 4 update</b>
<b>Purpose:</b>	To advise the Audit and Scrutiny Committee on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2024.
<b>Recommendation:</b>	That the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those Services that have not implemented actions within the previously agreed timescales.

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**1. Executive Summary**

- 1.1 The CIPFA document 'Audit Committee Principles in Local Authorities in Scotland' highlights that Audit Committees should monitor and review the progress made in implementing audit recommendations.
- 1.2 Service managers are responsible for ensuring that agreed actions arising from Internal Audit and Corporate Fraud reviews are implemented. This provides assurance that identified control weaknesses have been addressed and are being managed effectively.
- 1.3 All actions are monitored on the Pentana system and service managers are responsible for updating Pentana as they progress each action. This enables Internal Audit to monitor progress on a 'real-time' basis and address any delays in implementation.
- 1.4 This report details the position as at 31 March 2024.

**2. Background**

- 2.1 The last report to the Audit and Scrutiny Committee on 21 March 2024 highlighted that there were nine actions outstanding at 31 December 2023, none of which were overdue as they were all due for completion after 31 December 2023.
- 2.2 In addition to these nine carried forward actions, there has been one new action agreed, giving a total of 10 action points for review.

- 2.3 Services have completed four actions since the last report. All Council Services are required to retain evidence of work carried out in completing their actions and Internal Audit carries out 'spot-checks' on a sample of completed actions on an ongoing basis.
- 2.4 Of the remaining six actions, one was partially complete at 31 March 2024 and the remaining five actions were not due for completion until after that date.
- 2.5 Appendix 1 to this report provides the Committee with full details of the one action that has not yet been fully completed within the agreed timescales.

### **3. Proposals**

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

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 The effective implementation of agreed Internal Audit and Corporate Fraud actions helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

#### **Community Wealth Building**

- 4.7 None.

## 5. Consultation

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


Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

### **Background Papers**

None.

## Actions due by 31<sup>st</sup> March 2024 but not started or partially complete

<b>Code</b>	IA2022PA019b	<b>Description</b>	<p><b>Audit Action:</b> A minimum technical standard for CCTV systems should be set for the Council. A Council-wide audit of CCTV inventory should be carried out to assess compliance of CCTV assets against the standards, which will give an indication of the level of capital investment required to bring the Council's CCTV systems up to an appropriate standard and form the basis of a bid for capital.</p> <p>An approval process should be introduced to ensure new CCTV purchases meet the requirements of the standards.</p> <p><b>Audit Finding:</b> Audit were advised that there are various capital budgets in place covering vehicles and property lifecycle investment. However, there is no formal replacement programme for CCTV equipment.</p> <p><b>Risk:</b> Substandard systems that aren't fit for the intended purpose. CCTV footage is not available or not usable when required.</p>		
<b>Priority</b>	2	<b>Latest Note</b>	<p><b>Update provided by Scott McKenzie/Aileen Craig:</b> Work in relation to assessment of CCTV assets continues to be undertaken by Protective Services. This has taken much of available capacity, however a scheme of delegation for the CCTV and OOH team will be finalised shortly to address this issue, which is the main reason for the drift in the anticipated completion date of this action. To assist with capacity and expertise, an external contractor is to be appointed to capture the physical data from the systems installed across council properties. The necessary procurement paperwork is being finalised and a contractor will be appointed shortly to commence the work to capture the physical data. Protective Services also continue to advise on the operational requirements for new or replacement systems, thereby ensuring ongoing compliance for current projects. DPIAs for CCTV systems across the Council continue to be assessed as and when required. To date 246 members of staff have completed the I-Learn CCTV awareness course. Revised due date – 31<sup>st</sup> December 2024.</p>		
<b>Progress Bar</b>		<b>Original Due Date</b>	30-Jun-2022	<b>Due Date</b>	31-Mar-2024
<b>Parent Code &amp; Title</b>	IA2022PA019 CCTV in Council Buildings and Vehicles			<b>Managed By</b>	Aileen Craig
				<b>Assigned To</b>	Mark Boyd; David Hammond



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**NORTH AYRSHIRE COUNCIL**

**30 May 2024**

**Audit and Scrutiny Committee**

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**Title:** Internal Audit Reports issued

**Purpose:** To inform the Committee of the findings of Internal Audit work completed between March and April 2024.

**Recommendation:** That the Committee considers the outcomes from the Internal Audit work completed.

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**1. Executive Summary**

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

**2. Background**

- 2.1 This report provides information on Internal Audit work completed between March and April 2024. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.
- 2.2 The findings from each audit assignment have been notified in writing to the Chief Executive, the Section 95 Officer and the relevant Executive Director and Head of Service on the completion of each assignment. Where appropriate, this has included an action plan with recommendations for improving internal control. Appendix 1 includes the report and action plan from each audit.
- 2.3 The findings from three separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

<b>Audit Title</b>	<b>Assurance Level</b>
Procurement Cards	Substantial
Cyber Resilience Business Continuity	Reasonable/Limited
Ayrshire Growth Deal – Revenue Projects	Substantial

### **3. Proposals**

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between March and April 2024.

### **4. Implications/Socio-economic Duty**

#### **Financial**

- 4.1 None.

#### **Human Resources**

- 4.2 None.

#### **Legal**

- 4.3 None.

#### **Equality/Socio-economic**

- 4.4 None.

#### **Climate Change and Carbon**

- 4.5 None.

#### **Key Priorities**

- 4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within Our Council Plan 2023-2028.

#### **Community Wealth Building**

- 4.7 None.

### **5. Consultation**

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

Mark Boyd  
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Risk)**, on **01294 324524**.

**Background Papers**

None.

## PROCUREMENT CARDS

### 1 Background

- 1.1 When procurement cards are used in line with Council guidance they provide a number of benefits to both Services and the Council as a whole. These include:-
- significant time savings from processing less purchase orders and invoices
  - one payment per month per card, from the council to the bank eliminating multiple payments
  - reduction in petty cash purchases and cash holdings
  - opportunity to purchase items at lower cost through internet
  - clear audit trails.

### 2 Objectives and Scope

- 2.1 The objective of this audit was to ensure:-
- The number of cards in issue is being controlled and reviewed
  - Access to imprest (cash) is controlled, and not automatically granted to all cardholders
  - Transactions are being reviewed and approved timeously.

### 3 Findings

- 3.1 In 2023 all Services were instructed to review and, if necessary, rationalise the number of procurement cards allocated to their officers.
- 3.2 eProcurement also carried out a review of the data within SDOL in 2023.

#### Cardholders

- 3.3 All applications for a procurement card must be made via an eform. Within the eform:-
- Applicants must confirm they have completed online procurement card training
  - Applicants must confirm if the imprest function requires to be activated on the card
  - Applicants must detail the type of purchases they intend to make with the card and (if applicable) imprest
  - Applications must be approved by an officer of Grade 14 or above, with the exception of HSCP officers who have their applications approved by the Head of Service (HSCP Finance & Transformation).
- 3.4 The above controls ensure that only those with a genuine business need are approved for a procurement card.
- 3.5 A comparison of the number of cardholders between February 2024 and March 2023 confirmed an overall reduction in the number of procurement cards from 360 to 295. All Services have either maintained or reduced the number of cards allocated to their officers. The following table summarises the comparison results:-

Directorate	Service	No of cardholders Feb 24	No of cardholders Mar 23	Movement - increase/(reduction)
Chief Executive	Democratic Services	8	8	0
Chief Executive	Financial Services	4	6	-2
Chief Executive	People & ICT	12	22	-10
Communities & Education	Connected Communities	11	15	-4
Communities & Education	Education	126	146	-20
HSCP	Chief SW Officer	0	4	-4
HSCP	Child, Families&Justice	17	23	-6
HSCP	Financial Inclusion	0	2	-2
HSCP	Health & Community Care	8	9	-1
HSCP	HSCP Business Admin	52	58	-6
HSCP	HSCP Finance & Transform	5	7	-2
HSCP	Mental Health	1	2	-1
Place	Directorate Supp - Place	4	4	0
Place	Economic Dev,Growth&Reg	5	5	0
Place	Housing & Public Protect	26	30	-4
Place	Neighbourhood Services	11	14	-3
Place	Sus, TPT & Corp Property	5	5	0
		295	360	-65

## Imprest

- 3.6** Activating the imprest function allows a cardholder to withdraw cash using their procurement card.
- 3.7** Cardholders are not automatically granted access to this function – it must be requested, justified and approved. For new cardholders this is done as part of the application process (as detailed in **3.3** above). For existing cardholders, the request is made via email.
- 3.8** Audit reviewed the number of cards with the imprest function activated in February 2024 as compared to March 2023.
- 3.9** The number of cards with the imprest function activated has increased over the review period from 91 in March 2023 to 119 in February 2024.
- 3.10** Audit discussed this increase with eProcurement. eProcurement explained that the number of imprest users reported as at March 2023 is artificially low. Whilst preparing user reports for Services to review, an issue with the recording of cardholder function access was identified. Reports were not flagging a number of imprest users as having the function when they did, in fact, have it.
- 3.11** eProcurement immediately reviewed all cardholders records and updated as necessary. This update resulted in a revised figure of 130 imprest users. Reports were not circulated to Services until this exercise was complete.
- 3.12** Audit selected a sample of 10 users who have been given imprest status in SDOL between March 2023 and February 2024 for detailed review.
- 3.13** 5 of the 10 were genuine new imprest users. Audit reviewed the application process for each of these users. All stages of the process as set out in **3.7** have been completed and documented.
- 3.14** The remaining 5 were not genuine new users but were picked up as such by Audit testing due to the error noted in **3.11**. For each of these users, Audit ensured the report provided to Services for review was reflecting the true access status of the user. No issues were noted during testing.

## Monitoring

- 3.15** Card transactions are not posted to Integra until they have been both reviewed (by the cardholder) and approved (by the approver) in SDOL. Delays in this approval process can impact on budget monitoring.
- 3.16** Every month emails are sent to all reviewers and approvers reminding them of the need to review or approve any outstanding transactions.
- 3.17** In addition, eProcurement produce a quarterly report of outstanding transactions for circulation to senior managers. Managers are responsible for reviewing this report and taking action to address any issues highlighted.
- 3.18** Audit obtained details of all outstanding transactions as at 4 January 2024 and calculated the age of the transaction per Directorate. The following table summarises these results:-

Days outstanding	Number of outstanding transactions	Value of outstanding transactions
0-50	1,547	338,172.92
51-100	212	19,270.04
101-200	113	10,096.29
201-300	81	7,400.00
301-400	16	1,040.62
401-500	12	2,100.72
501-600	7	429.86
601-700	8	632.47
Grand Total	1,996	379,142.92

- 3.19** Based on the above, most transactions are being both reviewed and approved within the first 50 days.
- 3.20** The number of transactions outstanding for more than 50 days has reduced over the review period – in January 2024 there were 449 outstanding as compared to 767 in March 2023.
- 3.21** Imprest withdrawals remain outstanding on SDOL until the cash has been spent in full. This will account for some of the transactions outstanding for more than 50 days, and is not necessarily reflective of poor transaction management.

## 4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard the controls surrounding the issuing and ongoing monitoring of procurement cards.

## Definitions of Assurance Levels:

<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

NB The level of assurance given is at the discretion of Internal Audit.

## **CYBER RESILIENCE BUSINESS CONTINUITY**

### **1 Background**

**1.1** Business continuity was last audited in 2018/19.

**1.2** The audit program is based on Section 14 of the Public Sector Cyber Resilience Framework which is called Business Continuity. The overall objective is to ensure information security continuity shall be embedded in the organisation's business continuity management systems.

Section 14 covers the following 6 areas, all of which will be included in the audit:

- data recovery capability,
- backup policies and procedures,
- disaster recovery policies and procedures,
- business continuity & disaster recovery testing policies and procedures,
- Data Protection Impact Assessments and
- business continuity contingency plans.

**1.3** IT Services are responsible for the backup process within the Council's data centres. Audit testing has been restricted to the IT backup process.

**1.4** A sample of business continuity plans that reference key IT systems were selected for audit testing. The same key IT systems were used to test Data Protection Impact Assessment.

### **2 Objectives and Scope**

**2.1** The objectives of the audit were to ensure that:

- Recovery controls are in place to protect against information/data being lost or compromised.
- Backup copies of information, software and system images shall be taken and tested regularly.
- The Council has well defined and tested processes in place to ensure the continuity of key operational services in the event of failure or compromise.
- Scenario-based exercises and processes to test recovery response plans are planned and performed.
- DPIAs are undertaken to determine the impact of the intended processing on the protection of personal data where the processing is likely to result in a high risk to the rights and freedoms of individuals. The DPIA should consider the technical and organisational measures necessary to mitigate that risk.
- Contingency mechanisms are in place to continue to deliver services in the event of any failure or compromise of any system or service.

### **3 Findings**

#### **Data Recovery Capability**

**3.1** Site Recovery Manager (SRM) is the disaster recovery product used for Windows servers and IT provided a list of what is managed via this process. This allows a



quicker recovery of all servers on the list instead of restoring each server individually. There is a separate disaster recovery process in place for Unix servers which also allows for a quicker recovery of such servers instead of restoring each server individually. The Council's key IT systems have data recovery capability. There are a number of locally stored IT systems not covered by the SRM or Unix disaster recovery process and there is no priority list to decide which order these IT systems are recovered in the event of a major cyber security event. **(action a)**

- 3.2** The auditor reviewed the Site Recovery Manager list of servers and compared this to the Commvault backup schedule report. This test identified a server on Site Recovery Manager that cannot be matched to a backup plan on the Commvault backup schedules report. IT has provided evidence this has now been allocated to a backup plan.

### **Backup Policies and Procedures**

- 3.3** Commvault Hyperscale is the backup product for on-premise infrastructure and IT systems. Data stored in the primary data centre is backed up to a secondary data centre which is at a different physical location and a third copy is stored offsite using a cloud product. The secondary data centre also provides a second site for data recovery capability in the event of a disaster but there is limited capability at the second site.
- 3.4** The auditor reviewed the Commvault schedules report which lists all servers, their associated backup plan and evidence of when the last backup was taken. The auditor checked the backup process at a point in time and confirmed the backups were successful. However, it should be noted there were a number of servers that were not allocated to a backup plan. IT Services advised there is some housekeeping required to clean up the Commvault schedule, most of which are due to old servers that no longer need to be allocated to a backup plan but can still be used to restore historical backups. IT reviewed and cleaned the Commvault schedule during the course of the audit and also advised that going forward, ITSM requests should be made to decommission servers and this includes a task to remove it from the backup plan.
- 3.5** Commvault Metallic is the product which is used to provide additional offsite backup for the M365 application data. This includes the back up of data for Exchange, SharePoint, OneDrive and Teams. This backup is taken every 8 hours and there is a Metallic Commvault console which is used to monitor and control this backup process. The auditor checked the status of this backup process at a point in time and there were no findings to report.

### **Disaster Recovery Policies and Procedures**

- 3.6** IT Services provided a copy of the Disaster Recovery (DR) plans overview spreadsheet which lists 91 DR plans across the different areas within IT and it also lists 650 historical DR plans. Initially, there was information missing but IT have since updated this to ensure the last review date for completed plans and expected completion dates for incomplete plans are now recorded. There are 51 plans with the status 'complete' or 'awaiting review', 38 plans have the status 'under development' or 'not started' and 2 plans have no status recorded. The

Team Manager (Operations) advised the historical data will be deleted, this spreadsheet will be moved to a SharePoint list and have a flow that will automatically email plan owners at 12 months to review or remove if the solution has been decommissioned. In addition, monthly DR meetings are now scheduled to progress the completion of outstanding DR plans. **(action b)**

- 3.7** The DR plans reviewed by the auditor do not document the recovery time objective (RTO) for the operational service. The Team Manager (Operations) advised this is difficult to calculate given the different scenarios that could impact it but agreed an average RTO should be added to the DR plans. **(action c)**

### **BC/DR Testing Policies and Procedures**

- 3.8** IT Services have identified the need to test the backup and disaster recovery processes on a quarterly basis. Testing is planned to start in quarter 1 of 2024/25 for Windows Server test restore, Site Recovery Manager test recovery, Database test restore, Unix server test restore and network device test restore. Testing for M365 test restore began in Q3 2023/24. In addition, the planned Business Continuity and Disaster Recovery Test Plan exercises have been rescheduled to start again in 2024/25. They have been delayed due to a vacant Team Manager (ICT and Cyber Security) post that has now been filled. **(action d)**

### **Data Protection Impact Assessments (DPIA)**

- 3.9** There is a Data Protection Impact Assessment SharePoint page on Connects which provides information on this process and provides a link to the Data Protection Impact Assessment Information and Guidance document; however, this document was last reviewed and updated on 20<sup>th</sup> December 2018. Information Governance advised this has been identified as needing to be reviewed and updated. **(action e)**
- 3.10** Information Governance have recently introduced a DPIA tracker to allow all DPIA's to be recorded and monitored. This documents what stage they are at so the team can be more proactive at chasing up outstanding actions and ensuring annual reviews are carried out. A review of the DPIA tracker identified a significant backlog of completed DPIA's awaiting sign off by the Data Protection Officer. There were 56 completed DPIA's waiting on being signed off at the time of the audit. There have been resourcing issues in the team which have since been resolved. **(action f)**
- 3.11** A DPIA has not been completed for the CM2000 system. This should be completed retrospectively and passed to the Data Protection Officer to sign it off. **(action g)**
- 3.12** A DPIA had not been completed for the CareFirst system. Given that the implementation of the replacement system (Eclipse) is not imminent, Information Governance confirmed a DPIA for the CareFirst system should still be completed. A DPIA was completed during the course of the audit. An older template has been used and it has not yet been passed to the Data Protection Officer to sign it off. **(action h)**

- 3.13** A DPIA has not been completed for the Civica system used by Housing Services (this system was previously called Abritas). This should be completed retrospectively and passed to the Data Protection officer to sign off. **(action i)**
- 3.14** A DPIA was completed for the Flexiroute system; however, this was completed in an old format and was not signed off by the Data Protection Officer. Information Governance advised the DPIA should be reviewed, transferred to the new template and passed to the Data Protection Officer to sign it off. **(action j)**

### **BC Contingency Plan**

- 3.15** The Council has a Business Continuity Management (BCM) Strategy in place, however, this strategy was last updated in October 2015. The Team Manager (Risk) is aware of this and the document is currently being updated. **(action k)**
- 3.16** The Business Continuity Plan Template includes the threat scenario for the loss of ICT. The template does not advise requesting a copy of the cloud provider's BC plan where the lead officer/plan owner has identified a cloud hosted system is being used.  
**(action l)**
- 3.17** Internal Audit reviewed the Care at Home Business Continuity Plan to ensure the CM2000 system is properly documented within this plan. The plan was last updated on 18/12/23 but this version should be saved in the Business Continuity Management Hub. The Senior Manager (Locality Services) advised the provider has been contacted more than once to request a copy of their business Continuity plan as this is a cloud based system. Once received, the Senior Manager (Locality Services) has been advised to reference this document in the Care at Home Business Continuity Plan.
- 3.18** Internal Audit reviewed the Corporate Transport Hub Business Continuity Plan to ensure the Flexiroute system is properly documented within this plan. The plan has not been updated since 15/11/21 and one of the response team members left in August 2023. The Flexiroute system is not listed as one of the ICT systems/applications under the Loss of IT section which means the details of arrangements the service has in place if this system is not available has not been recorded and the back-up storage information for this system has not been recorded. This is a cloud hosted system, but a copy of the cloud providers BC plan has not been obtained and referenced in this BC plan. **(action m)**

## **4 Internal Audit Opinion**

- 4.1** Limited assurance was obtained with regards to the DPIA section of the audit due to all 4 IT systems selected in the audit sample either having no DPIA in place or no completed DPIA signed off by the DPO. In addition, there is a significant backlog of DPIA's awaiting sign off by the Data Protection Officer to ensure the DPIA's have been reviewed and any necessary DPO advice provided.
- 4.2** Reasonable assurance was obtained with regards to the other 5 sections of the audit. The recommendations made will assist the Council to strengthen the response to a cyber security event, particularly in relation to a priority recovery list for IT systems not covered by the SRM or Unix recovery process, outstanding DR

plans being completed so they can be followed when needed, and rigorous testing of the BC/DR process and the restore and recovery process.

**Definitions of Assurance Levels:**

<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

NB The level of assurance given is at the discretion of Internal Audit.

**KEY FINDINGS AND ACTION PLAN  
CYBER RESILIENCE BUSINESS CONTINUITY**

<b>Action</b>	a
<b>Finding</b>	The Council's key IT systems have data recovery capability. There are a number of locally stored IT systems not covered by the SRM or Unix disaster recovery process and there is no priority list to decide which order these IT systems are recovered in the event of a major cyber security event.
<b>Action Description</b>	IT Services in consultation with the Risk Manager should compile an IT Corporate Systems list and facilitate a discussion with ELT to enable a Corporate priority list for the recovery of locally stored IT systems not covered by the SRM or Unix disaster recovery process.
<b>Risk</b>	No clear prioritised order for recovery could result in a delay in the recovery of such systems.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.1
<b>Managed by</b>	Fiona Walker, Head of Service (People & ICT)
<b>Assigned to</b>	James McNeil, Senior Manager (ICT)
<b>Due Date</b>	31 <sup>st</sup> October 2024
<b>Management Comment</b>	All council systems are backed up by our Backup and Recover solution, CommVault. However, Site Recovery Manager can be used to quickly recover systems in the event of a disaster scenario to our DR site. This is limited to 40 systems. IT will consult with the Risk Manager to compile a list of systems that could be sorted into a prioritised list for recovery. Once agreed, IT would then put the highest priority systems on SRM and have a priority list for servers out with SRM, "local", to be restored in order that is beneficial to the business. UNIX based applications are automatically covered by the UNIX DR process.

<b>Action</b>	b
<b>Finding</b>	There are 51 DR plans with the status 'complete' or 'awaiting review', 38 plans have the status 'under development' or 'not started' and 2 plans have no status recorded. The Team Manager (Operations) advised the historical data will be deleted, this spreadsheet will be moved to a SharePoint list and have a flow that will automatically email plan owners at 12 months to review or remove if the solution has been decommissioned. In addition, monthly DR meetings are now scheduled to progress the completion of outstanding DR plans.
<b>Action Description</b>	IT Services should continue to progress the completion of outstanding DR plans, ensure all DR plans have been reviewed at least annually and delete historical DR data no longer required.
<b>Risk</b>	Having no DR plan or an out of date or inaccurate data in the DR plan could result in a delay in the recovery process.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.6

<b>Managed by</b>	Fiona Walker, Head of Service (People & ICT)
<b>Assigned to</b>	James McNeil, Senior Manager (ICT)
<b>Due Date</b>	Complete
<b>Management Comment</b>	SharePoint Document Library has now been created for current and future DR plans. Document Library is set to trigger an email to the plan owner when the last review date hits 12 months to ensure the plans are reviewed again. Legacy plans have been removed. IT continually work to review and develop DR plans for systems.

<b>Action</b>	c
<b>Finding</b>	The DR plans reviewed by the auditor do not document the recovery time objective (RTO) for the operational service. The Team Manager (Operations) advised this is difficult to calculate given the different scenarios that could impact it but agreed an average RTO should be added to the DR plans.
<b>Action Description</b>	Realistic RTOs should be agreed and recorded in the DR plans.
<b>Risk</b>	If RTO's are not known, services are not sure how long it will take to recover the system or service and cannot plan accordingly.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.7
<b>Managed by</b>	Fiona Walker, Head of Service (People & ICT)
<b>Assigned to</b>	James McNeil, Senior Manager (ICT)
<b>Due Date</b>	Complete
<b>Management Comment</b>	Recovery Time objectives have now been added to current DR plans and will be incorporated in all future plans that are created.  RTO (Single Server failure): Two Working Days RTO (Full Failure   SRM/UNIX Replication): Five Working Days RTO (Full Failure   Backup Only): 8 to 12 Weeks

<b>Action</b>	d
<b>Finding</b>	IT Services have identified the need to test the backup and disaster recovery processes on a quarterly basis. Testing is planned to start in quarter 1 of 2024/25 for Windows Server test restore, Site Recovery Manager test recovery, Database test restore, Unix server test restore and network device test restore. Testing for M365 test restore began in Q3 2023/24. In addition, the planned Business Continuity and Disaster Recovery Test Plan exercises have been rescheduled to start again in 2024/25. They have been delayed due to a vacant Team Manager (ICT and Cyber Security) post that has now been filled.
<b>Action Description</b>	IT Services should start completing the planned backup and disaster recovery testing and ensure this testing is completed at least quarterly. The planned Business Continuity and Disaster Recovery exercises should be recommenced as soon as possible.



<b>Risk</b>	Issues identified at testing are not identified prior to a live scenario; the necessary data is not available for recovery; the backup cannot be relied upon to restore as expected.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.8
<b>Managed by</b>	Fiona Walker, Head of Service (People & ICT)
<b>Assigned to</b>	Gavin Alston, Team Manager (ICT & Cyber Security)
<b>Due Date</b>	30 <sup>th</sup> June 2024
<b>Management Comment</b>	IT have a Backup & Recovery testing schedule and tests have been scheduled on a quarterly basis from April 2024.

<b>Action</b>	e
<b>Finding</b>	There is a Data Protection Impact Assessment SharePoint page on Connects which provides information on this process and provides a link to the Data Protection Impact Assessment Information and Guidance document; however, this document was last reviewed and updated on 20 <sup>th</sup> December 2018. Information Governance advised this has been identified as needing to be reviewed and updated.
<b>Action Description</b>	The Data Protection Impact Assessment Information and Guidance document should be reviewed, updated and reissued to ensure staff are aware of the need to complete DPIA's.
<b>Risk</b>	It is not in line with industry best practice; out of date or inaccurate information.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.9
<b>Managed by</b>	Aileen Craig, Head of Service (Democratic)
<b>Assigned to</b>	Lauren Lewis, Data Protection Officer
<b>Due Date</b>	Completed
<b>Management Comment</b>	This action was in hand at the time of the audit. The action has been completed and the 2024 version has been uploaded to Connects.  Mandatory Information Management training which is to be undertaken by all staff on an annual basis highlighting requirements, including criteria on when DPIAs are required is in place.

<b>Action</b>	f
<b>Finding</b>	A review of the DPIA tracker identified a significant backlog of completed DPIA's awaiting sign off by the Data Protection Officer. There were 56 completed DPIA's waiting on being signed off at the time of the audit.
<b>Action Description</b>	The Information Governance team should prioritise clearing the backlog to ensure completed DPIA's are signed off as soon as possible.
<b>Risk</b>	Potential non-compliance with Data Protection Legislation; Council reputational damage; Council could be subject to enforcement action by the Information Commissioner's Office;

	Delays to improvement projects while awaiting sign off of the DPIA.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.10
<b>Managed by</b>	Aileen Craig, Head of Service (Democratic)
<b>Assigned to</b>	Lauren Lewis, Data Protection Officer
<b>Due Date</b>	Completed
<b>Management Comment</b>	The number of DPIAs received by the Information Governance Team varies as business is put to the Team for consideration and review. A number of these involve consideration of complex and emerging issues which require detailed investigation. The Information Governance team has now been augmented to ensure that there are more staff members in post to deal with DPIAs. The tracker has been reviewed and updated to reflect the various stages of DPIAs with the current levels of outstanding DPIAs for Information Governance Team review being 18 (17 for DPO sign off and 1 for review). At the time of completion, 39 DPIAs have been returned to Services for further feedback and updating with relevant information. An online form is now live to log DPIA requests via EMPro. This further facilitates both reporting functionality and annual review processes for the Information Governance Team; coupled with additional resource this will enhance service performance and compliance in this area.

<b>Action</b>	g
<b>Finding</b>	There is no DPIA for the CM2000 system.
<b>Action Description</b>	A DPIA should be completed retrospectively for the CM2000 system and this should be passed to the Data Protection Officer to sign off.
<b>Risk</b>	Non-compliance with Data Protection Legislation; Personal data is at risk of misuse; Council reputation damage; Council could be subject to enforcement action by the Information Commissioner's Office.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.11
<b>Managed by</b>	Kerry Logan, Head of Service (Health & Community Care)
<b>Assigned to</b>	Lorraine Dyet (Senior Manager)
<b>Due Date</b>	30 April 2024
<b>Management Comment</b>	The CM2000 Monitoring Officer within the HSCP is currently progressing the completion of a DPIA, and is engaging with the Data Protection Officer with the aim of completing this by the end of April 2024.

<b>Action</b>	h
<b>Finding</b>	A DPIA had not been completed for the CareFirst system. A DPIA was completed during the course of the audit. An older template has been used and it has not yet been passed to the Data Protection Officer to sign it off.
<b>Action Description</b>	The DPIA should be transferred to the new template and passed to the Data Protection Officer to sign off.



<b>Risk</b>	Non-compliance with Data Protection Legislation; Personal data is at risk of misuse; Council reputation damage; Council could be subject to enforcement action by the Information Commissioner's Office.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.12
<b>Managed by</b>	Paul Doak, Head of Service (HSCP Finance & Transformation)
<b>Assigned to</b>	Neil McLaughlin, Team Manager (Information Systems)
<b>Due Date</b>	Complete
<b>Management Comment</b>	The CareFirst system was introduced in North Ayrshire in 2001. The DPIA which was prepared during the course of the audit has now been updated onto the new template and signed off by the Data Protection Officer.

<b>Action</b>	i
<b>Finding</b>	There is no DPIA for the Civica system used by Housing Services.
<b>Action Description</b>	A DPIA should be completed retrospectively for the Civica system used by Housing Services and this should be passed to the Data Protection Officer to sign off.
<b>Risk</b>	Non-compliance with Data Protection Legislation; Personal data is at risk of misuse; Council reputation damage; Council could be subject to enforcement action by the Information Commissioner's Office.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.13
<b>Managed by</b>	Yvonne Baulk, Head of Service (Housing & Public Protection)
<b>Assigned to</b>	Fiona Ellis, Senior Manager (Housing Strategy & Development)
<b>Due Date</b>	31/05/24
<b>Management Comment</b>	<p>The Digital team are actively working to pull together the DPIA for the Civica system to coincide with a major system upgrade and Trust Housing coming on board with the North Ayrshire Housing Register (NAHR).</p> <p>The team are liaising with the Information Governance team in preparing the draft DPIA which requires to be approved by them in the first instance. Input from the Registered and Social Landlords that utilise the NAHR is also required and is ongoing at present.</p>

<b>Action</b>	j
<b>Finding</b>	A DPIA was completed for the Flexiroute system; however, this was completed in an old format and was not signed off by the Data Protection Officer.
<b>Action Description</b>	The DPIA for the Flexiroute system should be reviewed, transferred to the new template and passed to the Data Protection Officer to sign it off.
<b>Risk</b>	Non-compliance with Data Protection Legislation; Personal data is at risk of misuse; Council reputation damage; Council

	could be subject to enforcement action by the Information Commissioner's Office.
<b>Priority (1, 2, 3)</b>	1
<b>Paragraph Reference</b>	3.14
<b>Managed by</b>	Gordon Mitchell, Senior Manager (Transport)
<b>Assigned to</b>	Susan Adamson, Team Manager (Journeys & Hires /Transport)
<b>Due Date</b>	31/05/2024
<b>Management Comment</b>	The original DPIA was transferred onto the appropriate new format and passed to the Data Protection Officer to review and signoff. However, this has since been returned with comments and further recommendations. Due to the nature and sensitivity of the Personal Information held, shared, and processed, it was a recommendation of the DPO that the completion of the DPIA should be supported with a collaborative approach of Senior Managers from both the Health & Social Care Partnership and Education and Youth Employment as the key information providers. A meeting has been arranged with representation from both services and the Information Governance team with a view of a satisfactory sign off by the end of May 2024.

<b>Action</b>	k
<b>Finding</b>	The Council has a Business Continuity Management (BCM) Strategy in place, however, this strategy was last updated in October 2015. The Team Manager (Risk) is aware of this, and the document is currently being updated.
<b>Action Description</b>	Once the updated Business Continuity Management Strategy has been agreed it should be reissued to ensure relevant staff are aware the strategy has been reviewed and updated.
<b>Risk</b>	It is not in line with industry best practice; out of date or inaccurate information.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.15
<b>Managed by</b>	Mark Boyd, Head of Service (Finance)
<b>Assigned to</b>	Alex Fitzharris, Team Manager (Risk & Insurance)
<b>Due Date</b>	29 November 2024
<b>Management Comment</b>	The BCM strategy has been revised and reviewed and is currently subject to further review and amendments ahead of formal approval process.

<b>Action</b>	l
<b>Finding</b>	The Business Continuity Plan Template includes the threat scenario for the loss of ICT. The template does not advise requesting a copy of the cloud provider's BC plan where the lead officer/plan owner has identified a cloud hosted system is being used.
<b>Action Description</b>	The Business Continuity Plan Template should be amended to advise that where a cloud hosted system has been identified, a copy of the cloud provider's BC plan should be obtained and referenced in the BC plan.

<b>Risk</b>	Cloud providers resiliency is not known; delay in recovering from an incident.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.16
<b>Managed by</b>	Mark Boyd, Head of Service (Finance)
<b>Assigned to</b>	Alex Fitzharris, Team Manager (Risk & Insurance)
<b>Due Date</b>	29 November 2024
<b>Management Comment</b>	A working group will be set up with officers from across the Council to revise the BC Plan Template approach considering the release of the Business Continuity Institutes Good Practice Guidelines 7.0 (2023). The BC plan template changes will be incorporated into the wider BCM Strategy review work.

<b>Action</b>	m
<b>Finding</b>	The Corporate Transport Hub Business Continuity has not been updated since 15/11/21 and one of the response team members left in August 2023. The Flexiroute system is not listed as one of the ICT systems/applications under the Loss of IT section which means the details of arrangements the service has in place if this system is not available has not been recorded and the back-up storage information for this system has not been recorded. This is a cloud hosted system, but a copy of the cloud providers BC plan has not been obtained and referenced in the BC plan.
<b>Action Description</b>	The BC plan should be reviewed and updated to ensure the response team members are current staff members. The Flexiroute system should be listed at the Loss of IT section to ensure the details of arrangements the service has in place if this system is not available is recorded. The cloud provider should be contacted to obtain a copy of their BC plan and this should be referenced in this BC plan.
<b>Risk</b>	Non-compliance with the BC strategy; new critical processes have not been identified and documented; inaccurate or out of date information could delay the response during an incident.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.18
<b>Managed by</b>	Gordon Mitchell, Senior Manager (Transport)
<b>Assigned to</b>	Susan Adamson, Team Manager (Journeys & Hires /Transport)
<b>Due Date</b>	Completed
<b>Management Comment</b>	The Business Continuity Plan has been reviewed and updated which has been communicated and is reflective of our current staffing structure. The Flexiroute system is now listed under the Loss of IT section of the Business Continuity Plan to ensure the details of arrangements are in place if the team were to experience a Flexiroute system failure. The system and cloud supplier (RLDatix) has provided a copy of their BC plan and this is referenced in the teams Business Continuity Plan.

### Priority Key used in Action Plan

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

## **AGD – REVENUE PROJECTS**

### **1 Background**

- 1.1** The Ayrshire Growth Deal consists of a programme of 19 high-profile major development projects across Ayrshire involving public, private and 3rd sector partners and attracting funding from both Scottish and UK governments. East Ayrshire Council acts as the lead partner for the deal overall and hosts the Project Management Office (PMO). North Ayrshire Council is the lead partner for 9/19 of the projects (6 capital, 3 revenue).
- 1.2** The 3 Revenue Projects are Ayrshire-Wide but NAC is the lead partner for all of them. They are Community Wealth Building (CWB), Working for a Healthy Economy (WfHE) and Ayrshire Skills Investment Fund (ASIF).
- 1.3** The 3 projects are at very different stages. ASIF has only relatively recently received Final Business Case approval. Proposals include an employer grants programme. WfHE is largely undertaken by a contractor, NHS Salus, so the role of NAC is mostly of contract management. CWB was due to complete in March 2024, but an extension to March 2025 has recently been approved by the Ayrshire Economic Joint Committee.

### **2 Objectives and Scope**

- 2.1** The audit was structured as 3 mini-audits covering each of the revenue projects, reflecting the different stages each audit had reached and the different natures of the projects.
- 2.2** The main objectives of the audit were to:
- Ensure that controls within the management of the Community Wealth Building project are suitable and operating effectively.
  - Ensure that controls to manage the contract for the delivery of Working for a Healthy Economy are suitable and operating effectively.
  - Provide audit advice regarding the proposals for the Ayrshire Skills Investment Fund, including an employer grants scheme.
- 2.3** Activities undertaken by East and South Ayrshire Councils as part of these projects were not audited directly, although the audit reviewed assurances obtained by NAC in relation to activities at East and South.

### **3 Findings**

#### **Community Wealth Building**

- 3.1** Overarching governance is provided by an AGD CWB Programme Steering Group comprising representatives of the 3 Ayrshire local authorities. Performance and financial monitoring reports are regularly updated and submitted to the PMO. East and South Ayrshire Councils invoice North Ayrshire quarterly to cover their share of the staff costs and business grants that they have

distributed. A risk register is kept in the Ideagen (formerly Pentana) system and was updated during the audit period.

- 3.2** A sample of 10 grants to businesses was checked and overall the applications were all in order. They were paid by payment request and the required proof of bank details was not provided in 1 case or was inadequate in 4 further cases. The Business Support team, who process these claims, and the eProcurement team were advised to ensure that suitable proof of bank details is included in the payment requests. No other issues were identified.
- 3.3** The 5 “top deliverable” performance indicators were checked to ensure that suitable backup was available. All were found to be suitable. One of these indicators is called “CWB Officers and Action Plans in Place” and is calculated by adding together the number of officers in place and the number of action plans. It seems somewhat incongruous that these 2 figures are added together to form a performance indicator. North Ayrshire have contacted the PMO to query this methodology.

### **Working for a Health Economy**

- 3.4** This project is provided by a contractor appointed in a procurement exercise. There is a service level agreement and the agreed costs are invoiced monthly by the contractor.
- 3.5** There is a steering group where the partner organisations and the contractor meet to discuss the progress on the project and any issues encountered. However, the steering group has not met regularly or, in some cases, meetings have taken place but minutes have not been produced. **(Action a)**
- 3.6** Performance data on people accessing support from this project are provided by the contractor and reported to the PMO. There is a risk register which has been updated as the project progressed.

### **Ayrshire Skills Investment Fund**

- 3.7** The ASIF project was at an early stage at the time of the audit. The first round of grants to businesses was awarded in November 2023 and a second round was awarded near the end of the audit in February 2024.
- 3.8** The Grant Offer Letter remitted to grant recipients outlines requirements for grant recipients, including record keeping and accounting requirements. The businesses are required to sign and return a copy of the Grant Offer Letter.
- 3.9** Since the UK left the EU the State Aid requirements have been replaced with Minimum Financial Assistance requirements. Processes have been introduced to ensure that the grant recipients comply with these requirements.
- 3.10** A small sample of grants awarded in November 2023 was checked and all was found to be in order.
- 3.11** The service requested some advice regarding evidence requirements for the business grants. They had been asking for invoices for external training and for

training plans and hourly rates for in-house training. Furthermore, they make contact with all training recipients for monitoring and evaluation purposes, during and after the training. It was suggested that if the trainees do not engage adequately to demonstrate that the training has taken place, then further evidence should be requested from the businesses.

#### 4 Internal Audit Opinion

- 4.1 Overall, substantial assurance was obtained with regard to the AGD Revenue Projects. The WfHE Steering Group meetings need to take place regularly and minutes be produced promptly after each meeting.

#### Definitions of Assurance Levels:

<b>Substantial</b>	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>None</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

NB The level of assurance given is at the discretion of Internal Audit.

**KEY FINDINGS AND ACTION PLAN  
AGD – REVENUE PROJECTS**

<b>Action</b>	a
<b>Finding</b>	The WfHE Steering Group has not met regularly or in some cases meetings have taken place but minutes have not been produced.
<b>Action Description</b>	The Employability team should ensure that WfHE Steering Group meets regularly and minutes of the meetings are produced in a timely manner
<b>Risk</b>	Issues with the project are not identified promptly. Agreed actions from the meetings are not implemented promptly. Different parties taking part in the meeting have a different understanding of what was agreed.
<b>Priority (1, 2, 3)</b>	2
<b>Paragraph Reference</b>	3.5
<b>Managed by</b>	Louise Kirk, Head of Service (Economic Development Growth and Regeneration)
<b>Assigned to</b>	Laura Neill, Senior Manager (Employability and Skills)
<b>Due Date</b>	6 June 2024
<b>Management Comment</b>	<p>The issue has partly been addressed through a schedule of meeting dates which have been agreed with partners every 6 weeks. The next meeting is 30 May 2024.</p> <p>The next stage will be to ensure that an agenda is prepared at least one week in advance and the meeting minutes issued one week after the meeting date. This will be reviewed on 6 June 2024 to ensure compliance with the identified timescales and the action can be closed thereafter.</p>

**Priority Key used in Action Plan**

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