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# NORTH AYRSHIRE COUNCIL

30 May 2024

## Audit and Scrutiny Committee

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

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

**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.

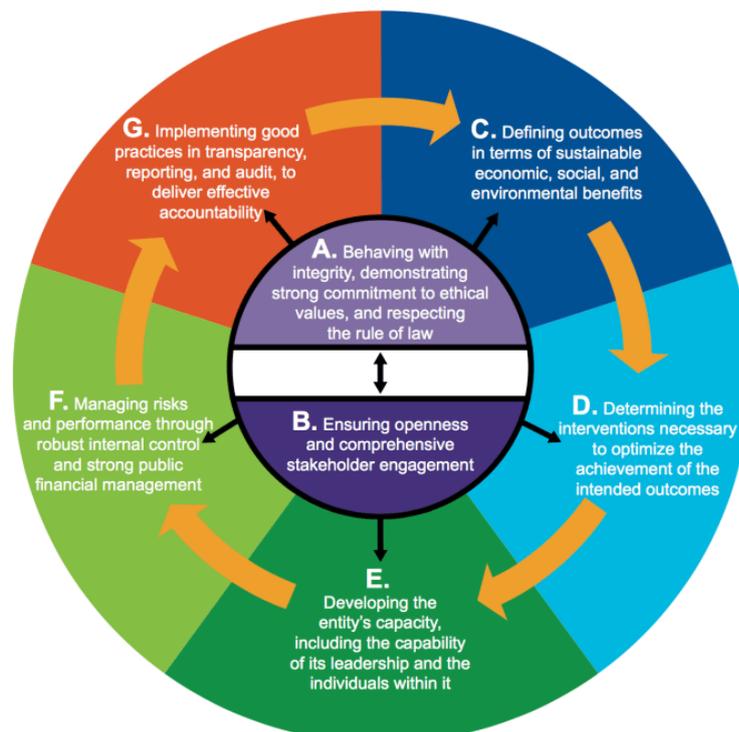
## The Purpose of the Governance Framework

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