



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 remotely on **Tuesday, 29 September 2020** at **10:00** to consider the undernoted business.

Arrangements in Terms of COVID-19

In light of the current COVID-19 pandemic, this meeting will be held remotely in accordance with the provisions of the Local Government (Scotland) Act 2003. A recording of the meeting will be 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 Special Meeting of the Audit and Scrutiny Committee held on 24 August 2020 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 Annual Report on the 2019/20 Audit

Submit report by the Head of Finance on the annual audit report for 2019/20 and receive verbal report by the external auditor (copy enclosed).

4 Health and Social Care Partnership: Budget Monitoring Report

Submit report by the Director, Health and Social Care Partnership on the financial position of the North Ayrshire IJB (copy enclosed).

- 5 UK Withdrawal from the European Union (Brexit) Update Report**
Submit report by the Head of Democratic Services on the current position regarding the UK's withdrawal from the European Union on 31 December 2020 (copy enclosed).
- 6 Council Plan Progress Update - Year End 2019-20**
Submit report by the Head of Democratic Services on the progress of performance against the Council Plan 2019-24 as at Year End 2019-20 (copy enclosed).
- 7 2019/20 Complaint Report**
Submit report by the Head of Democratic Services on the Council's complaint performance and the volumes and trends of complaints received in financial year 2019/20 (copy enclosed).
- 8 Annual Assurance Statement to the Scottish Housing Regulator 2019-20**
Submit report by the Executive Director (Place) on the Council's Annual Return on the Charter 2019-20 submission and requesting endorsement of the Annual Assurance Statement to be submitted to the Scottish Housing Regulator (copy enclosed).
- 9 Audit Scotland Report on Affordable Housing**
Submit report by the Executive Director (Place) on the key findings of, and recommendations from, Audit Scotland's review of Scottish Government's affordable housing supply target published in April 2020 (copy enclosed).
- 10 Internal Audit Charter 2020-2022**
Submit report by the Head of Finance seeking approval of the updated Internal Audit Charter (copy enclosed).
- 11 Internal Audit and Corporate Fraud Action Plans: Q1 Update**
Submit report by the Head of Finance on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 30 June 2020 (copy enclosed).
- 12 Internal Audit Reports Issued**
Submit report by the Head of Finance on the findings of Internal Audit work completed since the last meeting in January 2020 (copy enclosed).
- 13 Urgent Items**
Any other items which the Chair considers to be urgent.

14 Exclusion of the Public - Para 1

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

Non Disclosure of Information

In terms of Standing Order 19 (Disclosure of Information), the information contained within the following report is confidential information within the meaning of Section 50A of the 1973 Act and shall not be disclosed to any person by any Member or Officer.

15 Corporate Fraud Reports Issued

Submit report by the Head of Finance on the finding of the corporate fraud investigation reports finalised since the last meeting in January 2020 and the latest updates on previously agreed actions which remain outstanding (copy enclosed).

Webcasting - Virtual Meeting

Please note: this meeting may be filmed for live and subsequent broadcast via the Council's internet site. At the start of the meeting, the Provost will confirm if all or part of the meeting is being filmed.

You should be aware that the Council is a Data Controller under the Data Protection Act 1998. 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.

If you have any queries regarding this, please contact committeeservices@north-ayrshire.gov.uk.

Audit and Scrutiny Committee Sederunt

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

Chair:

Apologies:

Attending:

Virtual Meeting, 24 August 2020 - At a Special Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m.

Present

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

In Attendance

M. Boyd, Head of Finance and P. Doak, Senior Manager (Internal Audit, Risk and Fraud) (Finance and Corporate Support); J. Miller, Chief Planning Officer, Economic Development and Regeneration (Place); A. Fraser, Head of Democratic Services and H. Clancy and D. McCaw, Committee Services Officers (Chief Executive's Service).

Chair

Councillor Burns in the Chair.

1. Declarations of Interest

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

2. Minutes

The Minutes of the Meeting of the Audit and Scrutiny Committee held on 28 January 2020 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Unaudited Annual Accounts 2019/2020

Submitted report by the Head of Finance on the unaudited Annual Accounts for the year to 31 March 2020 which were submitted to the Council's external auditors on 30 June 2020 and provide an overview of the financial performance of the various funds managed by the Council. The completion of the audit is anticipated by the end of September 2020.

In relation to the Health and Social Care Partnership, it was considered that the Committee should continue to receive regular updates on the financial position.

The Committee, in consideration of the unaudited Annual Accounts for 2019/20, agreed (a) to continue to receive regular reports on the financial position with regard to the Health and Social Care Partnership; and (b) to note (i) that the unaudited Annual Accounts were submitted to the Council's external auditors prior to the deadline on 30 June 2020; and (ii) that Deloitte LLP planned to complete their audit of Accounts by 30 September 2020 and would present their annual audit report to the Council's Audit and Scrutiny Committee in due course.

4. Planning Services Update re former Seafield School, Eglinton Road, Ardrossan

Submitted report by the Executive Director (Place) providing an update on the position in relation to the former Seafield School, Eglinton Road, Ardrossan.

The requirements of the Notice under Section 179 of the Town and Country Planning (Scotland) Act 1997, issued on 24 September 2019, have not been met as the landowner has not carried out the required work despite Planning Services continuing to contact them and seek compliance with the Notice. The Planning Committee on 24 June 2020 agreed that the Council take direct action and seek to recover its costs from the landowner following any action.

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

- a landscaping contractor having been on site around 4 weeks ago carrying out some tidy up work;
- that the landowner had been in contact with the local press with regard to the site but no contact had been made with the Council;
- there has been no action taken regarding the boarding of the windows specified in the Notice, which still remain open;
- clarification on the recovery process in terms of any expenditure to the Council; and
- that Committee Members be kept advised of any progress.

The Committee agreed to note the terms of the Planning Services update to progress with direct action to implement the Notice.

5. Local Government in Scotland: Overview 2020

Submitted report by the Head of Finance on the findings of the recent national report “Local Government in Scotland: Overview 2020”, highlighting the key messages and providing an update of North Ayrshire Council’s position in relation to the key recommendations made by Audit Scotland. The supplement containing the key messages, recommendations and questions for Councillors was attached as Appendix 1 to the report which also provided a link to the full report.

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

- that the Appendix detailing Questions for Councillors is a best practice guide and consideration is required on how to take this forward through self-evaluation and identified themes;
- the effect and impact of Covid-19 in presenting unique challenges to all;
- that Members should consider any areas where further information/scrutiny could be sought;
- lessons learned on the response to the pandemic and progress in terms of a recovery strategy; and
- any potential focus for the Committee in terms of recovery arrangements.

The Committee agreed to note the findings and the position in North Ayrshire in relation to its recommendations as well as the improvement actions being addressed.

The meeting ended at 10.40 a.m.

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit and Scrutiny Committee

Title:	Annual Report on the 2019/20 Audit
Purpose:	To invite the Committee to note the annual audit report for 2019/20 and to consider a verbal report by the external auditor
Recommendation:	That the Committee (a) notes the audit findings contained in the External Auditor's report on Audit Dimensions and Best Value at Appendix 1; (b) notes the findings of the 2019/20 audit of the financial statements as contained in the External Auditor's final report at Appendix 3, (c) notes the agreed Action Plan as outlined on page 25 of the final report; (d) considers the verbal report by the External Auditor; and (e) approves the audited Annual Accounts for signature.

1. Executive Summary

- 1.1 As part of the external audit for 2019/20, Deloitte LLP have produced two reports. The first report is the Audit Dimensions and Best Value Report, covering wider scope issues, is attached at Appendix 1. The second report is the Final Report on the Audit of the Financial Statements and includes an opinion on the Council's financial statements, this is attached at Appendix 3.
- 1.2 The Audit Dimensions and Best Value Report provides the Audit and Scrutiny Committee with the external audit findings across the four audit dimensions within the scope of the 2019/20 audit work, these are noted below, and Best Value. For each dimension the report outlines the audit risks, evidence of North Ayrshire's approach and Deloitte's view of the Council's position.
 - Financial Management;
 - Financial Sustainability;
 - Governance and Transparency;
 - Value for Money.
- 1.3 The overall conclusions in the Audit Dimensions and Best Value report state that the Council has:
 - strong financial management arrangements;
 - has made good progress with its transformation agenda, achieving financial balance for 2019/20 and setting a balanced budget for 2020/21;
 - continues to have strong leadership and robust governance and scrutiny arrangements; and
 - has a clear and robust performance management framework in place.

Although the report highlights ongoing risks in relation to Covid-19, the report notes that appropriate arrangements are in place to respond to the pandemic and assess its financial impact. In relation to Best Value, the report concludes that the Council has robust arrangements in place to secure best value.

- 1.4 The unaudited accounts for the year to 31 March 2020 were approved by Audit and Scrutiny Committee on 24 August 2020 having been submitted to the Council's external auditor, Deloitte LLP, for audit on 29 June 2020. The Audit Director for Deloitte LLP has now issued his proposed Independent Auditor's Report on the financial statements which is free from qualification and confirms that the accounts give a true and fair view of the state of affairs of the Council, its group and the Council's charitable trusts as at 31 March 2020.
- 1.5 As detailed in paragraph 2.9, some adjustments have been identified during the audit process. However, these adjustments do not impact on the reported balance of unearmarked reserves, which remain unchanged at £9.659m.
- 1.6 Deloitte LLP's final report includes an action plan in relation to recommendations for improvement identified during the course of the audit. For the year to 31 March 2020 the areas identified for action relate to changes to the accounting requirements in relation to leases, which will be effective from 2021/22. Details of these and the proposed management actions are included at Page 25 of the Auditor's Report.

2. Background

- 2.1 Deloitte LLP has been designated as the Council's external auditors for the six year period 2016-2022. Deloitte LLP has also been appointed as the auditors for the North Ayrshire Integration Joint Board. 2019/20 is the fourth year of this appointment.

Audit Dimensions and Best Value

- 2.2 A report on the Audit Dimensions and Best Value for 2019/20 has been prepared by the external auditors and is included in appendix 1. This report provides the Audit and Scrutiny Committee with the external audit findings across the four audit dimensions within the scope of the 2019/20 audit work and in relation to Best Value. The audit dimensions include:
 - Financial Management;
 - Financial Sustainability;
 - Governance and Transparency;
 - Value for Money.
- 2.3 The report also incorporates a specific area of focus highlighted by Audit Scotland in relation to fraud and corruption in the procurement function.
- 2.4 The report includes sections on emerging issues and sector developments which provide a high level assessment of the Council's response to the Climate Change Agenda and a summary of relevant information in relation to Covid-19
- 2.5 An Action Plan has been agreed with the external auditors and this is included in appendix 1 to the report. The Action Plan addresses areas for improvement and includes updates on progress across Transformation, Workforce Planning, Governance and Transparency, which are all noted as being fully implemented.

2.6 A summary of the key conclusions from the report include:

Financial Management

The Council has strong financial management arrangements which are robust enough to manage financial activity and capture and address any challenges to the achievement of financial targets. The General Fund ended the year with an in year net underspend, after earmarking funds to be carried forward to 2020/21. Savings targets were largely achieved and the HRA ended the year with a small surplus. The financial position and variances were transparently reported to Cabinet throughout the year.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements. The change to Section 95 Officer role from 1 April 2020 has transitioned smoothly

Financial Sustainability

The Council achieved short term financial balance in 2019/20 and has set a balanced budget for 2020/21. The current reserves held are at an acceptable level. Although the Council is actively assessing the financial impact of Covid-19, there remains a risk and it is important that the position is closely monitored.

The scale of the Capital Investment Programme over the next 8 years is ambitious and requires strong project management and governance arrangements. It is important that the impact of Covid-19 on future plans is considered.

As reported through the Best Value Assurance Report, the Council has made good progress with its transformation agenda, however, it still faces a significant shortfall and detailed plans are not yet in place. The Council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change. The full development of workforce plans and arrangements to monitor and report the benefits from its transformation plans needs to be progressed as a matter of priority.

Governance and Transparency

The Council continues to have strong leadership in place and robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the Covid-19 pandemic. The Council continues to be open and transparent. It also continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

The IJB has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging. This is being actively monitored by the Council.

Value for Money

The Council continues to have a clear and robust performance management framework in place. It also has robust and long standing arrangements in place to comply with the new SPI Direction, including its public performance reporting requirements.

The performance of the Council is showing evidence of improvements in a number of areas. The report recognises that the Covid-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Best Value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development.

Final Report on the Audit of the Financial Statements

- 2.7 The Council's accounts for the year to 31 March 2020 were submitted to Deloitte LLP for audit by the deadline of 30 June 2020. The external auditor is required to complete the audit by 30 September 2020 and to report on certain matters arising to those charged with governance in sufficient time to enable appropriate action to be taken before the financial statements are approved and certified.
- 2.8 Appendix 2 includes letters of representation to be signed by the Head of Finance as the responsible officer for North Ayrshire Council. Deloitte LLP's final report to members, which summarises the findings of their audit, is attached at Appendix 3.
- 2.9 Accounting adjustments totalling £5.362m have been identified during the audit process. These adjustments relate to the Council's share of Strathclyde Pension Fund's liabilities. These have been updated for revised valuation information which was provided by the Fund's actuaries after 30 June 2020. The adjustments have been offset by a matching increase in the Council's unusable pension reserves. The reported balance of unearmarked reserves has remained unchanged at £9.659m.
- 2.10 The Council's share of group reserves reported in the Group Balance Sheet has increased by £4.807m, primarily as a result of property revaluations and increases in the value of earmarked funds held by the Strathclyde Partnership for Transport, partly offset by the utilisation of legacy funds reported by North Ayrshire Ventures Trust.
- 2.11 Pages 10 to 19 of the final report outline the significant risks and other matters identified in the audit plan for 2019/20, together with the auditor's views of the key judgements and controls in place. These risks relate to:
- Recognition of Grant Income; and
 - Management Override of Controls.

The report confirms that no material issues were identified in relation to these matters. However, the report notes that the Auditor expects to include an 'Emphasis of Matter' in their Independent Audit Report due to the material uncertainty identified by the valuers concerning property valuations at 31 March 2020, due to the impact of Covid-19 on the property market.

- 2.12 Deloitte LLP have noted that, during the review of Council's IT systems, 2 low priority control deficiencies were identified by their specialists. However, there has been no impact on the audit from these deficiencies and officers have confirmed that compensating controls are in place to mitigate any associated risks.
- 2.13 The final report provides additional information on the impact of Covid-19 on the financial statements and the audit process, highlighting the uncertainties and changes to ways of working during recent months and noting that consideration of these impacts has been included as part of the report where appropriate.

2.14 In relation to the other elements of the financial statements, the final report notes that:

- The Council's Management Commentary has been prepared in accordance with the statutory guidance and in line with best practice;
- The auditable parts of Remuneration Report have been properly prepared in accordance with the regulations; and
- The Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the regulations.

2.15 An Action Plan which sets out the main areas identified for action from the annual report work is detailed on page 25 of the final report. The areas identified are in relation to the implementation of future changes to the accounting requirements for leases, which will be effective from 2021/22, and the recognition that a previous action in relation to the establishments of formal procedures for the timely investigation of items on the bank reconciliation has been fully implemented. Full details of the steps being taken to address the outstanding item has been included in the Action Plan.

2.15 Final testing of the charitable trust accounts is underway. At the date of issuing the attached report, the auditors confirmed that no issues had been found and that a verbal update will be provided to the Committee.

2.16 A link to the final audited accounts will be issued to all members for their information.

2.17 Representatives from Deloitte LLP will be in attendance at Committee and will present a verbal report highlighting the main findings of the 2019/20 audit.

2.18 It should be noted that the auditor has received a statutory objection to the accounts relating to the Common Good and Trust Funds and has been in communication with the objector to consider the issues and evidence provided. Although a final decision has yet to be issued, no further adjustments to the financial statements are anticipated.

3. Proposals

3.1 It is proposed that the Committee (a) notes the audit findings contained in the External Auditor's report on Audit Dimensions and Best Value at Appendix 1; (b) notes the findings of the 2019/20 audit of the financial statements as contained in the External Auditor's final report at Appendix 3, (c) notes the agreed Action Plan as outlined on page 25 of the final report; (d) considers the verbal report by the External Auditor; and (e) approves the audited Annual Accounts for signature.

4. Implications/Socio-economic Duty

Financial

4.1 The financial implications are as outlined within the report.

Human Resources

4.2 None.

Legal

- 4.3 Under the Local Authority Accounts (Scotland) Regulations 2014 the Council is required to approve the audited Annual Accounts for signature by 30 September 2020.

Equality/Socio-economic

- 4.4 None.

Environmental and Sustainability

- 4.5 None.

Key Priorities

- 4.6 This report directly supports the Council Plan 2019 to 2024 by maximising resources and providing value for money to support financially sustainable delivery models.

Community Wealth Building

- 4.7 None.

5. Consultation

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

Mark Boyd
Head of Service (Finance)

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

Background Papers

Unaudited Annual Accounts 2019-20 – Audit and Scrutiny Committee 24 August 2020
North Ayrshire Charitable Trusts: Unaudited Trustees' Annual Report 2019/20 – Council 23 September 2020
Best Value Assurance Report – Council 23 September 2020



North Ayrshire Council

Report to the Audit and Scrutiny Committee on the 'audit dimensions and best value' for the year ended 31 March 2020

Issued on 14 September for the meeting on 29 September 2020

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Introduction

The key messages in this report

Background:

As set out in our audit plan, the Code of Audit Practice sets out four audit dimensions which set a common framework for all public sector audits in Scotland.

Our audit work has considered how the Council is addressing these and our conclusions are set out within this report.

Scope of audit

Our audit work was risk based and proportionate, covering the four audit dimensions as follows:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money.

It also incorporated the specific area of focus highlighted by Audit Scotland in relation to fraud and corruption in the procurement function.

Our responsibilities in relation to the Accounts Commission's Strategic Audit Priorities, the 2018 Statutory Performance Information Direction and Best Value have all been incorporated into this audit work.

I have pleasure in presenting our report to the Audit and Scrutiny Committee (the Committee) of North Ayrshire Council (the Council) as part of our 2019/20 audit responsibilities. The Best Value Assurance Report (BVAR) was published in June 2020. This covered a number of areas that are also relevant for the annual audit, therefore has been used to inform our conclusions within this report. I would like to draw your attention to the key messages from this paper.

Financial Management

The Council has strong financial management arrangements. The General Fund and HRA ended the year with an in-year surplus and savings targets were largely achieved. The financial position and variances were transparently reported to Cabinet throughout the year.

The change to Section 95 Officer role from 1 April 2020 has transitioned smoothly.

Financial sustainability

The Council achieved short-term financial balance in 2019/20 and has set a balanced budget for 2020/21. The current reserves held are at an acceptable level. It is also positive to note that the Council is actively assessing the financial impact of COVID-19. There does, however, remain a risk, therefore it is important that the position is closely monitored.

As reported through the BVAR, the Council has made good progress with its transformation agenda, however, it still faces a significant shortfall and detailed plans are not yet in place. The Council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change.

The full development of workforce plans and arrangements to monitor and report the benefits from its transformation plans needs to be progressed as a matter of priority.

Governance and Transparency

The Council continues to have strong leadership in place and robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the COVID-19 pandemic.

The Council continues to be open and transparent. It also continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

The IJB has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging. This is being actively monitored by the Council.

Value for money

The Council continues to have a clear and robust performance management framework in place. It also has a robust and long-standing arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Introduction (continued)

The key messages in this report (continued)

Best Value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development.

Our detailed findings and conclusions are included on pages 6 to 21 of this report.

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. Most recently, a number of articles have been published focusing on the impact of COVID-19. We have provided a summary of those most relevant to the Council as an Appendix on pages 25 and 26 of this report.

In particular, we have provided a high level assessment of where the Council is in its response to the Climate Change Agenda, discussed on page 22 and 23.

Next steps

An agreed Action Plan is included at Appendix 29 of this report, including a follow up of progress against prior year actions. We will consider progress with the agreed actions as part of our 2020/21 audit.

Added value

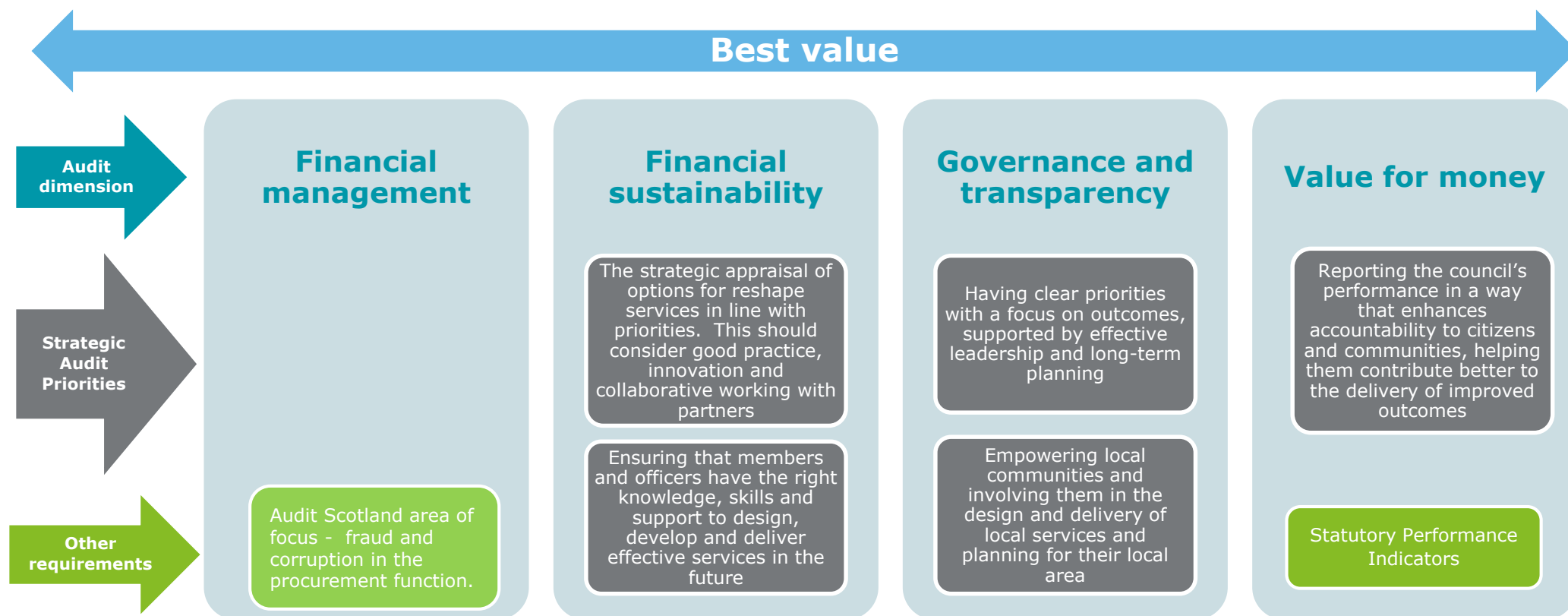
Our aim is to add value to the Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, as information emerges as a result of the COVID-19 pandemic, we have shared guidance with management on areas to consider in relation to internal controls, fraud risks and annual reporting. In addition, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which are open to anyone to join.

Audit dimensions and best value

Overview

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audits. This report sets out our findings and conclusions on our audit work covering the following areas. Our report is structured in accordance with the four **audit dimensions**, but also covers our specific audit requirements on best value, the Accounts Commission's **Strategic Audit Priorities** and the 2018 **Statutory Performance Information** Direction.



The Islands (Scotland) Act 2018 received royal assent in July 2018. The Islands (Scotland) Act 2018 places a duty on 'relevant authorities' to have regard to island communities in exercising their functions. Relevant authorities must prepare an island communities impact assessment for any policy, strategy or service likely to have an effect on an island community which significantly differs from that on other communities. This is known as "island-proofing". The Act requires relevant authorities to publish information at least once annually detailing steps taken to comply with their duty of having regard to island communities. We have considered the implications of the Act as part of our consideration of BV arrangements (discussed further on page 21).

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to financial management, we would continue to review the Council's financial management arrangements including the extent to which the performance impact of in year savings is monitored.

2019/20 financial performance

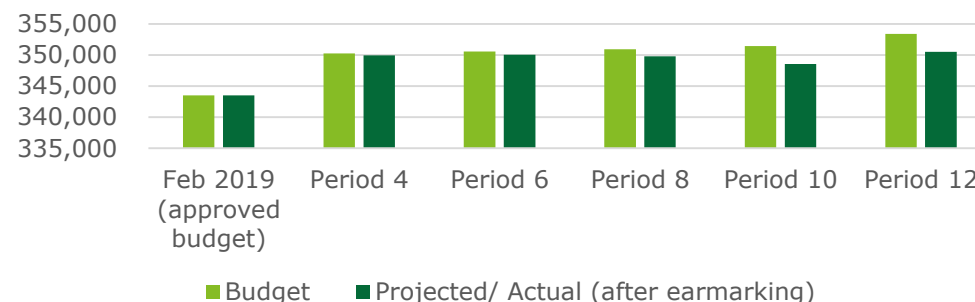
2018/19 conclusion: The General Fund and HRA ended the year in a breakeven position. A total of £65m capital expenditure was incurred in the year.

2019/20 update:

The **General Fund budget** of £343.521m was approved by the Council in February 2019. Some changes were made to this during the year as a result of additional income being received and carrying forward of earmarked funds from 2018/19, and the final outturn reported actual expenditure of £346.459m. After agreeing to carry forward £4.073m to earmarked reserves and £0.5m to the Insurance Fund, a net in-year underspend of £2.594m was reported.

The Council agreed in March 2020 that any in-year underspends would help mitigate the impact of future COVID-19 costs and support recovery and renewal activities. This balance has therefore been added to the General Fund unearmarked balance (discussed further on page 11).

General Fund budget performance (£'000)



The key reasons for the variances were:

- **Communities service** – underspend of £1.052m, primarily related to the Early Learning and Childcare expansion programme. This has been earmarked for future years to support the programme in future years.
- **Place service** – underspend of £1.444m. This relates to reduced costs and increased income across a range of services.
- **Corporate services** – underspend of £3.383m, largely relating to funds no longer required to support pension auto-enrolment and Scottish Government funding not yet drawn down.

Financial management (continued)

2019/20 financial performance (continued)

The **Housing Revenue Account (HRA)** end the year with a small underspend of £0.463m compared to breakeven budget. This has been consistently reported to members throughout the year.

The most significant variances relates to an underspend in property costs as a result of a reduction in planned cyclical works.

The council has ambitious **long-term year capital programme, as discussed further on page 12**. Progress against this plan are reported regularly to Cabinet.

The final position for 2019/20 reported £70,799m of capital investment incurred during the year (£33.039m general services and £37.760m housing). The most significant projects included:

- New build Additional Support Needs (ASN) School – incurred £7.376m expenditure in the year (with total projected forecast £25.540m)
- Early Years Estate - £4.540m
- Roads Infrastructure - £3.126m
- Council House build programme - £21.410m
- Refurbishment to housing - £5.754m
- Improvements to housing stock - £5.911m

2019/20 Conclusion: the Council continues to have effective financial planning and management arrangements in place, with the final general fund and HRA reporting underspends in year compared to the original budget, which were clearly reported throughout the year, along with regular progress on the capital programme.

Savings Plans

2018/19 conclusion: Savings of £5.094m were achieved in line with budget.

2019/20: The approved 2019/20 budget included a need to made savings of £6.278m. Progress against this target was closely monitored through monitoring reports to Cabinet. The final outturn reported that these were largely achieved, with 93% of approved savings delivered.

Conclusion: The savings targets set by the Council have increased in comparison with previous years reflecting the financial challenges faced by the Council and need to continually deliver recurring reduction in costs. It is positive to note that whilst the targets are increasing, these have largely been achieved.

Financial reporting

2018/19 Conclusion: The Council has effective financial planning and management arrangements in place.

2019/20 Update: The Council approved its 2019/20 budget on 27 February 2019. The Executive Leadership Team and Councillors regularly review progress against budget throughout the year, with quarterly reporting to the Cabinet for both revenue and capital expenditure. From review of the reporting throughout the year, variances are clearly reported and explained.

2019/20 Conclusion: The Council continues to have strong financial management arrangements in place. This is consistent with the conclusions in the BVAR report which concluded "**effective financial management arrangements are in place**".

Financial management (continued)

Financial capacity

2018/19 Conclusion: The finance team was led by the Executive Director (Finance and Corporate Support) and Head of Finance, both of whom are experienced in local government finance roles. In 2018/19, the IJB appointed a new Head of Finance and Transformation, further enhancing resources and capacity within the HSCP. Previously this role had been performed by the Head of Finance of the Council.

2019/20 Update: As part of the Council's senior management restructure, discussed further on page 15, the Executive Director (Finance and Corporate Support) left the Council in June 2020 and the post has been deleted. All Section 95 responsibilities were transferred to the Head of Finance from 1 April 2020, following a lengthy period of handover and as a result, the transition has been smooth. The wider finance team has remained consistent throughout the year.

2019/20 Conclusion: The Council has a sufficiently qualified and experienced finance team to support the financial management of the Council. The change to Section 95 Officer role from 1 April 2020 has transitioned smoothly.

Internal audit

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

From our review of the internal audit reports issued during 2019/20, we have concluded that all significant findings have been appropriately considered as part of the disclosures in the Annual Governance Statement.

Three instances of fraud were reported as part of internal audit work and appropriate action taken to address this. These have been reported to Audit Scotland.

Standards of conduct for prevention and detection of fraud and error

We have reviewed the Council's arrangements for the prevention and detection of fraud and irregularities. Overall we found the Council's arrangements to be to be designed and implemented appropriately.

National Fraud Initiative (NFI)

All Council's are participating in the most recent NFI exercise which commenced in 2018/19. We have continued to monitor the Council's participation and progress in the NFI during 2019/20 and submitted an assessment of the Council's participation to Audit Scotland in February 2020. The information submitted will be used by Audit Scotland in its next national NFI report which is due to be published in the summer of 2020.

We concluded that the Council was fully engaged in the exercise.

Financial management (continued)

Fraud and corruption in respect of the procurement function

As noted in our audit plan, and in accordance with Audit Scotland planning guidance, fraud and corruption in the procurement function (such as illicit rebates, kickbacks and false invoicing) is a risk across the public sector. We have therefore considered the Council's controls and processes as a matter of particular focus, and concluded:

- The risk of procurement fraud is not currently in the Council's risk register, but plans are in place to incorporate this in the next update.
- There are controls in place around the procurement process, including segregation of duties.
- There is a gift and hospitality policy in place to prevent unacceptable instances taking place and systems in place to ensure all acceptable instances are recorded in a register.
- All staff involved in procurement related decisions are trained on how to identify procurement fraud 'red flags' (e.g. excessive entertaining of procurement staff by suppliers).
- Internal Audit coverage of procurement systems is adequate and proportionate to the risks faced by the Council. In 2019/20, Internal Audit carried out a review of procurement cards and procurement spend during 2019/20 and identified a number of actions to improve controls.
- Arrangements are in place to encourage and protect whistleblowers.

Based on the above, we are satisfied that the arrangements for the prevention and detection of fraud and corruption in the procurement function are effective and appropriate.

Deloitte view – financial management

The Council has strong financial management arrangements which are robust enough to manage financial activity and capture and address any challenges to the achievement of financial targets. The General Fund ended the year with an in-year net underspend of £2.594m after earmarking £4.073m to be carried forward to 2020/21. Savings targets of £6.278m were largely achieved and the HRA ended the year with a small surplus. The financial position and variances were transparently reported to Cabinet throughout the year.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements. The change to Section 95 Officer role from 1 April 2020 has transitioned smoothly.

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified the following risk:

“There is a risk that the transformation plans, focusing on service redesign, demand management and digital initiatives, are not robust enough to allow the benefits to be realised.”

Budget setting

2018/19 Conclusion: The Council approved a budget of £343.52m for 2019/20 on 27 February 2019. This incorporated a savings of £6.33m and plans to use £3.88m from reserves. In setting its budget, the Council recognised that, whilst projecting to achieve short-term financial balance, a number of risks existed.

2019/20 Update: The Council approved a budget of £357.928m for 2020/21 on 5 March 2020. This incorporated planned savings of £4.330m. The budget also assumes a 4.84% council tax increase in the year.

As concluded in the BVAR “the Council engaged well with elected members and communities as part of the budget process and is continually looking for ways to improve its budget engagement”.

In setting its budget, the Council recognised that, whilst projecting to achieve short-term financial balance, a number of risks exist, including:

- the cost of service delivery exceeding financial provision including: pay, demand led pressures and inflation; not securing in year financial balance; savings not delivered timeously and adequacy of reserves and provisions;
- the financial sustainability of the Health and Social Care Partnership; and
- The delivery of current and future year transformations.

Impact of COVID-19

The 2020/21 budget was set prior to the COVID-19 pandemic. The pandemic has had a significant impact on the operations of the Council and work is ongoing through COSLA to identify the additional costs being incurred and what additional funding will then become available to support this.

An update was provided to the Cabinet in June 2020 setting out the current projected cost impacts to March 2021 and it was agreed that once developed, Financial Recovery Options were considered at the Cabinet meeting in September 2020.

Financial sustainability

Budget setting (continued)

The update to Cabinet included consideration of the Council's subsidiary, North Ayrshire Leisure Limited (KA Leisure). This noted that the current assessment of lost income projected to 31 March 2021, taking into account a phased release of staff back from the Job Retention scheme, amounts to £2.8m. To ensure visibility of cost pressures, this has been included in the overall cost return. The Council are continuing to work with KA Leisure to identify further areas of cost saving to mitigate the financial impact.

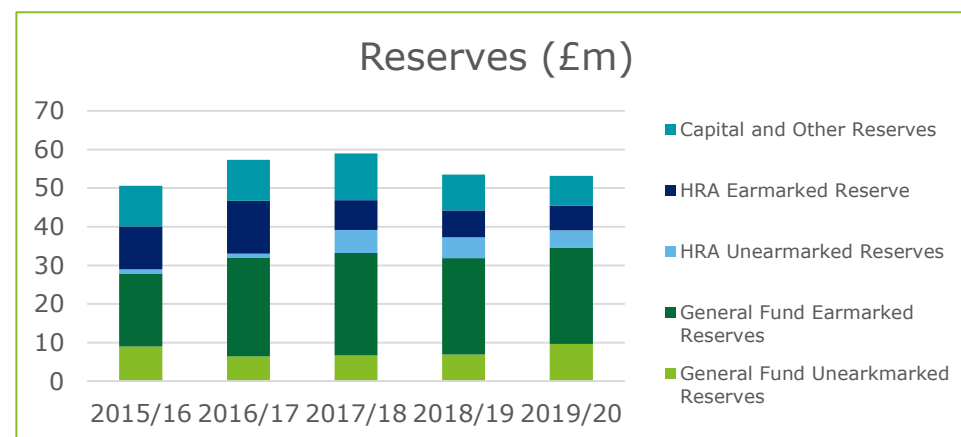
2019/20 Conclusion: The impact of COVID-19 on the ability to achieve short-term financial sustainability presents a risk to the Council. As noted on page 9, the Council has a robust planning and monitoring process in place for achieving savings and has, historically, achieved the majority of savings targets in place. It is also positive to note that the Council is actively assessing the financial impact of COVID-19. There does, however, remain a risk, therefore it is important that the position is closely monitored.

Reserves

2018/19 Conclusion: The Council has used reserves in setting its budget over the last few years. This included a reduction in unearmarked reserves to the current level of 2% of net expenditure. It recognised that use of reserves provides a temporary solution but requires a more sustainable approach to be developed. It's Reserve Strategy is a risk specific approach and in line with best practice.

2019/20 Update: At the time of approval of the 2020/21 budget, the Council carried out its annual review of its Reserve and Fund Balances in line with good practice. This took into account known commitments, potential liabilities and the risk profile of the Council to provide flexibility to deal with unforeseen circumstances.

The total reserves position for the Council at 31 March 2020 and movement over the last five years is illustrated below, with the general fund unearmarked balance representing 2.7% of budget. As noted on page 6, the Council achieved a net underspend of £2.594m in 2019/20, which has been added to the unearmarked General Fund and will be available to help mitigate the impact of future COVID-19 costs and support recovery and renewal activities.



In line with previous year, in approving its budget, the Council again highlighted that it had used reserves in setting its budget over the last few years, and reduced the unearmarked reserves to the current 2% minimum, release of earmarked reserves no longer required and application of in year underspends. As noted in previous years the Council recognise the use of reserves provides a temporary solution and a more sustainable solution is needed. In 2020/21, following a review of earmarked reserves, a total of £0.548m was released to support the 2020/21 budget.

Financial sustainability

Reserves (continued)

In addition, the Council agreed as part of its budget setting process to set-aside £8.8m as an Investment Fund to support Community Wealth Building activity, deliver sustainable investment in the environment and support the economy. This was largely possible as a result of a review of the loans fund advances following a change in regulation which allowed the Council to revise its debt repayment timelines. While there is no change to the overall level of loans fund advances that the Council needs to repay, the re-proofing of the principal and interest payments allowed the Council to transfer £8.8m to reserves.

2019/20 Conclusion: The current reserves held are at an acceptable level. As discussed on page 10, the impact of the COVID-19 pandemic is having a significant impact on the Council. We note that the Council is planning to re-assess the 2020/21 budget, and would expect the reserves balances to be considered as part of this review.

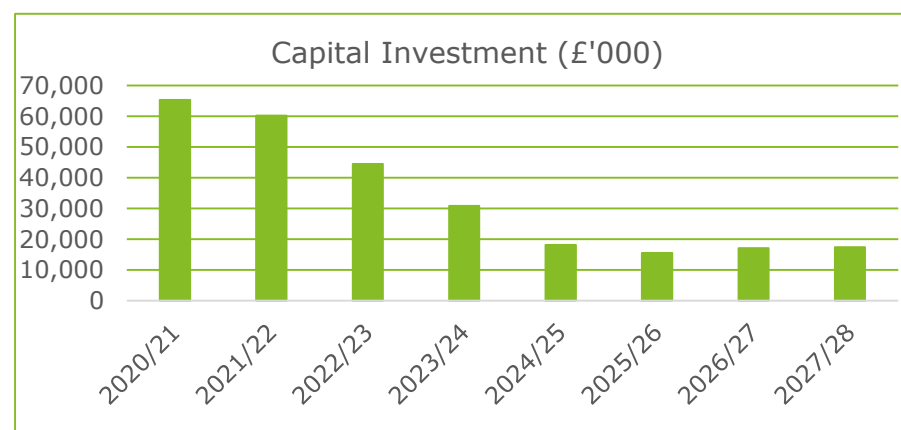
Capital planning and treasury management

2018/19 Conclusion: The Council has a Capital Investment Programme (CIP) covering the period 2019/20 to 2027/28. The CIP incorporates all funding sources to 2027/28, including assumed levels of general capital grant, specific grants and a prudent assessment of the level of capital receipts

2019/20 Update: The Council updates its Capital Investment Plan (CIP) on an annual basis as part of its budget setting process. The HRA capital programme is also updated annually as part of the annual report of the HRA Business Plan.

As concluded in the BVAR “the capital planning process clearly aligns investments with Council priorities”.

The graph below illustrates the projected CIP over the next 8 years, which again shows that the Council continues to have an ambitious capital programme. In addition, the Council has approved £68.448m HRA capital expenditure for 2020/21 and a further £27.657m for future years.



As noted on page 7, the Council has demonstrated a history of managing its capital programme. However, also noted on page 10, the Council has recognised that it will need to revisit this programme in light of the impact of COVID-19.

2019/20 Conclusion: The capital planning process clearly aligns investments with Council priorities and the Council has a history of managing its capital programme. Given the scale of the programme over the next 8 years, it is imperative that this continues. It is important that the impact of COVID-19 on future plans is also considered.

Financial sustainability (continued)

Medium to long-term financial planning

2018/19 Conclusion: The Council has a clear process in place for medium and long term financial planning. The Medium Term Financial Plan (MTFP) was updated in February 2019 to cover the period 2019/20 to 2021/22. The MTFP sets a balanced budget for 2019/20, however, indicates a deficit of £14.67m and £10.74m in 2020/21 and 2021/22 respectively. The Long Term Financial Outlook (LTFO) covering the period 2018/19 to 2027/28. The LTFO includes the significant financial challenges the Council faces over the next 10 years and the approach to respond to this. This includes service reviews and associated delivery plans. The LTFO is updated every three to four years.

2019/20 Update: As reported in detail in the BVAR:

- the Council has a ten-year long-term financial outlook (LTFO) covering the period 2018/19 to 2027/28. This identified an estimated funding shortfall of £156m over this period. The approach taken by North Ayrshire Council was highlighted as a positive step to help manage the financial challenges and to make well-informed decisions which are aligned to Council priorities.
- The LTFO provides the context for a more detailed Medium-Term Financial Plan (MTFP) and annual budgets. The latest MTFP, covering the period 2020/21 to 2022/23, builds on previous year's MTFP and the analysis within the LTFO. The Council agreed a balanced budget for 2020/21, however, gaps of £9.248m and £9.817m remain for 2021/22 and 2022/23 respectively.

2019/20 Conclusion: It is positive to note that the Council continues revisits the medium-term position as part of its annual budget process and has a history of achieving in-year savings. In addition, as noted in the BVAR, the publication of a ten-year outlook is also considered best practice. However, the Council is still faced with a significant shortfall in future years. As noted on page 10, the impact of COVID-19 is expected to have a significant impact over the medium to longer term, and therefore the estimated financial impact of these challenges is likely to change.

Transformation Strategy

2018/19 Conclusion: The Council had done a lot of work around transformation planning, such as creating the Transformation Think Tank and incorporating the next phase of transformation into the Council Plan. It has identified an ambitious savings target over the next three financial years from transformation, however, this does not completely close the estimated cumulative funding gap of £25.41m. We highlighted that it was therefore vital that the Council identify further savings and efficiencies to close the remaining funding gap. We highlighted the importance of detailed plans to deliver these targets and monitors the progress of key objectives and outcomes to ensure savings remain on track over these years. If the next phase was not progressed appropriately, we highlighted that this could result in benefits not being realised and financial balance not being achieved.

2019/20 Update: As concluded in the BVAR:

"the Council has made good progress with its transformation agenda, however, it still faces a significant shortfall and detailed plans are not yet in place".

"the Council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change".

The BVAR made two specific recommendation in relation to transformation, which are discussed on page 21. We will continue to monitor the progress as part of our 2020/21 audit.

Financial sustainability (continued)

Transformation Strategy

2019/20 Conclusion: some good progress has been made with transformation, however, significant work is still required to develop and implement detailed plans to address the financial challenges faced. We recognise that COVID-19 is likely to further impact on future plans.

Ayrshire Growth Deal

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

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

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

Deloitte view – Financial sustainability

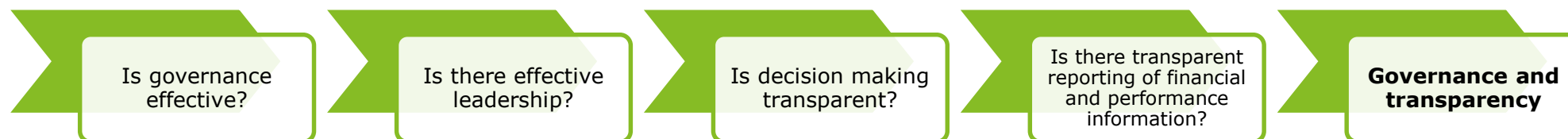
As discussed on page 9, the Council achieved short-term financial balance in 2019/20 and has set a balanced budget for 2020/21. The current reserves held are at an acceptable level. It is also positive to note that the Council is actively assessing the financial impact of COVID-19. There does, however, remain a risk, therefore it is important that the position is closely monitored.

The scale of the CIP over the next 8 years is ambitious and requires strong project management and governance arrangements in place over the projects involved. It is important that the impact of COVID-19 on future plans is also considered.

As reported through the BVAR, the Council has made good progress with its transformation agenda, however, it still faces a significant shortfall and detailed plans are not yet in place. The Council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change. The full development of workforce plans and arrangements to monitor and report the benefits from its transformation plans needs to be progressed as a matter of priority.

Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to governance and transparency, we have continued to monitor the Council's approach to governance and transparency, specifically focusing on the work around the transformation plans.

Our audit plan did highlight a risk that the change to the management structure may have an adverse impact on service delivery therefore we have closely monitored how the management structure has progressed.

In relation to the IJB, we identified in our audit plan that there continues to be an ongoing risk that the IJB does not achieve the full benefits of integration along with a balanced budget position.

Leadership

2018/19 Conclusion: The Council had changes to leadership in 2018/19 with the appointment of a new Chief Executive. This allowed the Council to approve a wider Directorate restructure. Whilst the new structure wasn't expected to be fully implemented until 2020/21, we highlighted the need for the Council to ensure that the change in structure did not have an adverse impact on capacity to deliver services.

2019/20 Update: As reported in detail as part of the BVAR, the Executive Leadership Team was in the process of being restructured, with all services clearly aligned to the priorities in the Council Plan. The restructure was completed in June 2020. The BVAR concluded.

"the leadership team and elected members work very well together".

2019/20 Conclusion: The Council continues to have strong leadership in place.

Governance and scrutiny arrangements

2018/19 Conclusion: The Council has effective governance structures. In order to ensure that the governance and scrutiny framework is continually improving, we recommended that the Council consider an annual self-assessment of Committee and Council performance. The results of which should be made publicly available through the publication of an annual report.

Governance and transparency (continued)

Governance and scrutiny arrangements (continued)

2019/20 Update: The Audit and Scrutiny Committee continues to play a key role in the governance and scrutiny arrangements of the Council. It considers reports from internal audit throughout the year as well as other relevant national reports. In line with good practice and as recommended in our 2018/19 report, the Committee now carries out an annual self assessment to consider the development needs of elected members.

The Council's Committee structures were temporarily suspended during the COVID-19 outbreak with all meetings suspended until 30 June 2020. During this period, the Council's Scheme of Delegation to Officers already allowed the Chief Executive, to consider and deal with any urgent issues, subject to reporting back to the Cabinet for information at the first available opportunity. This power was exercised in consultation with the relevant Chief Officer and the relevant portfolio holder. In the interest of transparency, decision notices in respect of matters determined under the emergency governance arrangements are published on the Council's website on a fortnightly basis, together with the relevant officers' report.

Prior to the summer recess in June 2020, the Planning Committee, the IJB Performance and Audit Committee and Cabinet (Education) met and plans are in place for all Committees to restart after the recess.

2019/20 Conclusion: The Council continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the COVID-19 pandemic.

Openness and transparency

2018/19 Conclusion: We were are satisfied that the Council prioritises the principles of openness and transparency, and operated in an open and transparent manner throughout the year.

2019/20 Update: The Council has continued to be open and transparent with its decision making, as concluded in the BVAR:

"The Council is open and transparent in its decision-making. It streams full Council and Cabinet meetings on its website".

2019/20 Conclusion: In line with our previous year's conclusions and that of the BVAR, the Council continues to be open and transparent.

Community engagement and equalities

2018/19 Conclusion: The Council fully supports community empowerment and recognises the importance of building community capacity, we highlighted the Council's approach to community engagement as best practice and sector leading.

2019/20 Update: Community engagement and empowerment was a key area of focus in the BVAR work. This concluded that:

"The Council is committed to community empowerment and is recognised by the Scottish Government and COLSA as a sector leader. The Council's approach is focused on embedding community empowerment in everyday business. The Council works well with a wide number of communities and groups including young people and tenants".

"Tackling inequality is the overarching theme of both the Council Plan and the Local Outcome Improvement Plan".

2019/20 Conclusion: The Council continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

Governance and transparency (continued)

Health and social care partnership

2018/19 Conclusion: The final financial position for the IJB in 2018/19 was an improvement on the prior year, particularly given the significant historical overspends. Improvements had been made to the quality and frequency of financial monitoring reports and we concluded that there was now an effective integrated budget monitoring arrangement in place.

2019/20 Update: While the IJB has achieved short-term financial balance, it has been unable to repay any of the debt due to the Council in 2019/20 and a number of risks remain with the 2020/21 budget, in particular the impact of COVID-19. The Medium-Term Financial Plan has not yet been updated, with further delays as a result of management focusing on responding to COVID-19. The IJB is therefore unable to evidence it is financially sustainable in the medium-to longer term. In view of the financial position, the Council has continued its increased scrutiny of the IJB with regular reports to the Cabinet and Audit and Scrutiny Committee.

As reported in the BVAR, the IJB is progressing with its transformation programme and taking an innovative approach to determine future service delivery. Significant work is still required to make the level of transformational change needed, with COVID-19 likely to impact on timelines and plans.

The IJB continues to have strong leadership. As it starts to develop its next Strategic Plan, it is important that this work is progressed in line with the updated MTFP.

2019/20 Conclusion: The IJB has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging.

Following the public pound

The statutory requirements to comply with the Following the Public Pound Code, in conjunction with the wider statutory duty to ensure Best Value, means that Councils should have appropriate arrangements to approve, monitor and hold third parties accountable for public funding provided to them.

Within the Internal Audit plan there is specific time set aside to review "Following the public pound" during the year as part of the work performed. This includes an annual audit of Community Councils' accounts to ensure Council funding is used in accordance with the Council's Scheme of Administration and an annual audit of the accounts of various Tenants and Residents Associations. Additionally, the Council supports KA Leisure and the Community Investment Fund, where collaborative projects are developed, supported and monitored by the Council within the locality planning framework. We are therefore satisfied that the Council complies with the Following the Public Pound Code.

Deloitte view – governance and transparency

The Council continues to have strong leadership in place and robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the COVID-19 pandemic.

The Council continues to be open and transparent. It also continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

The IJB has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging. This is being actively monitored by the Council.

Value for money

Value for money is concerned with using resources effectively and continually improving services.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to value for money, we have continued to review the Council's performance against the Performance Management Framework, the Council's reporting and monitoring of these and the actions taken to improve the performance of the Council.

Performance management framework

2018/19 Conclusion: There is a clear framework in place to ensure that Council performance is monitored and reported. The Council's approach to focused performance improvement in specific areas is effective, as evidenced by the improvement in local performance indicators.

2019/20 Update: An overall assessment of outcomes and performance and the reporting of these was a key area of focus in the BVAR work. This concluded:

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

2019/20 Conclusion: The Council continues to have a clear and robust performance management framework in place.

Statutory performance indicators (SPIs)

The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. This responsibility links with the Commission's Best Value (BV) audit responsibilities. In turn, councils have their own responsibilities, under their BV duty, to report performance to the public. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which applies from 2019/20 and requires a council to report a range of information in the following areas:

SPI 1: Improving local services and outcomes

- performance in improving local public services provided by (1) the council itself and (2) by the council in conjunction with its partners and communities; and
- progress against desired outcomes.

Value for money (continued)

Statutory performance indicators (SPIs) (continued)

SPI 2: Demonstrating Best Value (BV)

- The Council's assessment of how it is performing against its duty of BV, and how it plans to improve against this assessment;
- audit assessments of how its performance against its Best Value duty, and how it has responded to these assessments; and
- in particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

We have evaluated the effectiveness and appropriateness of the arrangements that the Council has in place.

In view of the approach embedded within the Council for a number of years, with performance monitored through the Community Planning Partnership (CPP) and LOIP, the requirement to report on performance for both the Council and with its partner communities was already standard practice. As noted on page 18, the BVAR work concluded robust performance management arrangements in place. In addition, the BVAR noted "the CPP has a clear strategic direction and partners are committed to working together to improve outcomes".

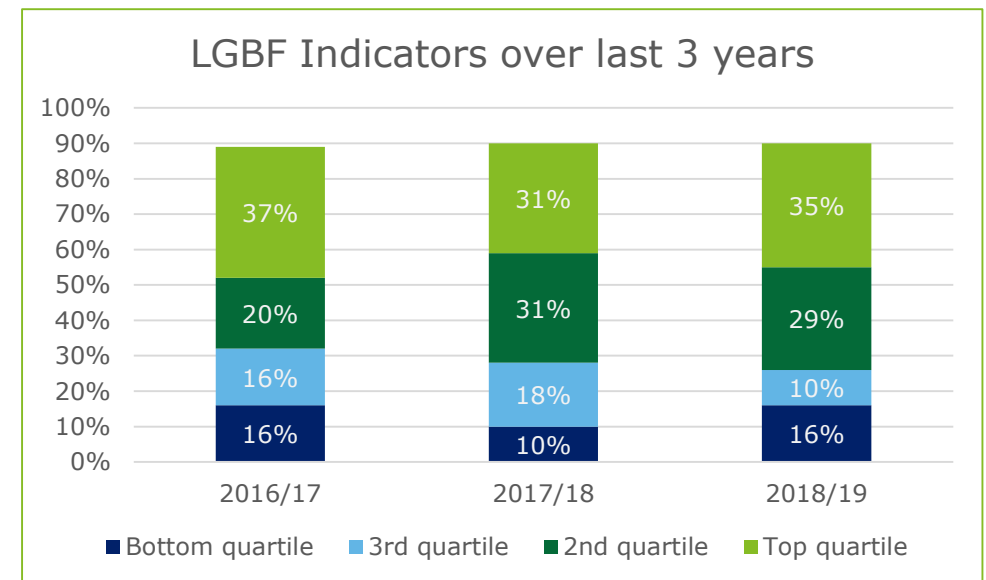
In addition, as reported in the BVAR, the Council has a strong culture of continuous improvement and has embraced the principles of community empowerment (discussed further on page 16).

2019/20 Conclusion: The Council has robust and long-standing arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

Performance data

2018/19 Conclusion: Council performance against local indicators which fell significantly adrift of targets reduced from 15% to 11% in 2018/19, whilst performance indicators on target increased from 55% to 63%. This evidenced that performance improvements have been made between the end of 2017/18 and the mid-year point of 2018/19.

2019/20 Update: We have drawn on the LGBF to make a high level assessment of the Council's performance, relative to all Scottish councils, in 2018/19 (the latest data available). The LGBF includes a number of indicators organised under common service areas. Performance is summarised in the following charts. The Council has considered these indicators as part of its wider performance monitoring.

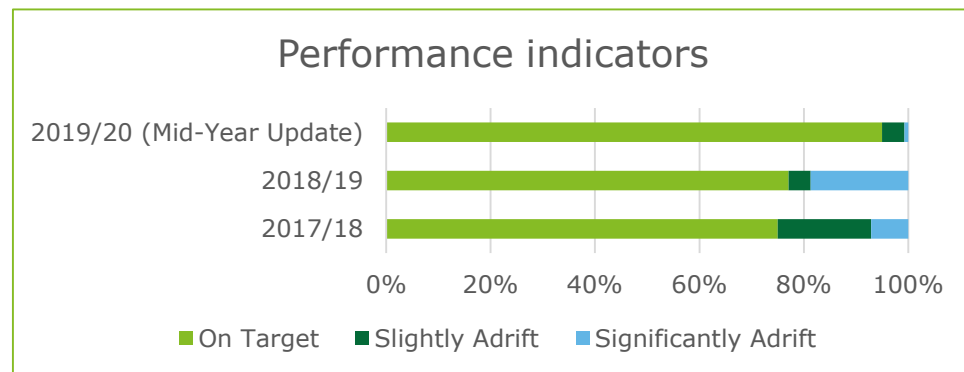


Value for money (continued)

Performance data (continued)

64% of indicators in 2018/19 (2017/18: 62%, 2016/17: 57%) were either in the top quartile or second quartile, i.e. performing above the Scottish average, demonstrating that the Council is performing well compared to their peers.

The annual performance report for 2018/19 was published in September 2019 and included the full range of performance that is reported by the Council. The mid-year update for 2019/20 reported improvements, as illustrated below.



In assessing how well the Council was performing, the BVAR concluded:

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

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

2019/20 Conclusion: The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Deloitte view – Value for money

The Council continues to have a clear and robust performance management framework in place. It also has a robust and long-standing arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Best value

It is the duty of the Council to secure **Best Value (BV)** as prescribed in Part 1 of the Local Government in Scotland Act 2003.

Duty to secure best value

1. It is the duty of the Council to make arrangements which secure best value
2. Best value is continuous improvement in the performance of the Council's functions
3. In securing best value, the Council shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions.
 - b) The cost to the Council of that performance.
 - c) The cost to persons of any service provided by the Council for them on a wholly or partly rechargeable basis.
4. In maintaining that balance, the Council shall have regard to:
 - a) Efficiency.
 - b) Effectiveness.
 - c) Economy.
 - d) The need to meet the equal opportunity requirements.
5. The Council shall discharge its duties in a way that contributes to the achievement of sustainable development.
6. In measuring the improvement of the performance of a Council's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

BV arrangements

The BV framework follows a five year approach to auditing BV. 2019/20 represents year four of the BV audit plan. The BVAR for North Ayrshire Council during 2019/20 with the report published in June 2020.

As concluded in the BVAR in the Commission findings:

"We commend the significant progress made by the Council since the previous Best Value report in March 2011. The core of this progress has been a good sense of self-awareness; the Council has been clear on how and where it can improve, has a well-defined strategy, and shared with its partners a strong vision for North Ayrshire. This strategic direction is reinforced by a record of collaboration; between elected members and officers; in engaging with staff in improvement; and in the empowering approach taken by the Council in its relationship with its communities".

Through our annual audit work, discussed further within this report, the Council continues to have a number of arrangements in place to secure best value, including an established governance framework, strong leadership, and is making some good progress with transformation, but recognises that significant work is still required.

The Council recognises that it must deliver services within the financial resources available and, as noted elsewhere in this report, further work is still required to achieve long-term financial sustainability.

The Chief Executive has shared the BVAR through the Council's website and will be formally considered by the Council meeting in September 2020. We will follow up progress with the agreed actions as part of our 2020/21 annual audit work.

In relation to the new requirements in relation to the Islands Act, North Ayrshire Council have added island assessment to its equalities and socio-economic assessment templates. As a result, every policy and strategy should now be automatically subject to island assessment.

Deloitte view – best value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development.

Emerging issues

Climate change

Background

As noted in our audit plan, climate change is likely to drive some of the most profound changes to businesses in our lifetime. The global response to the COVID-19 pandemic could inform the fight against climate change and advantages taken of the inevitable response, such as less unnecessary air travel for business meetings, more home working, supported by better videoconferencing facilities. In collaboration with the ICAEW, Deloitte have launched a site to www.deloitte.co.uk/climatechange

Council preparedness

As part of our audit work in 2019/20, we have carried out a high level assessment of the work that North Ayrshire Council has done in relation to preparing for the impact of Climate Change and concluded as follows:

Baseline expectations

Governance: Climate change is a strategic issue and should be on the Council agenda. Explain how you assess climate change risk as a strategic issue.

North Ayrshire Council position

Climate change is clearly on the Council's agenda, as evidenced from the following examples:

- As highlighted in the BVAR, the Council declared a climate emergency in 2019, and changed its aim to reduce carbon emissions by 40% by 2030 to the aim of becoming carbon neutral by 2030.
- The BVAR incorporated a case study highlighted that North Ayrshire Council has a proactive and ambitious approach to tackling climate change.
- It has engaged with communities on the latest update to its Environmental Sustainability and Climate Change Strategy, which was first published in 2014 and last updated in 2017. The Council engaged with communities on updating the strategy for 2020.
- Several transformation initiatives are linked to reducing carbon emissions.
- The Council approved an £8.8m investment fund for climate change, infrastructure and community wealth building in its 2020/21 budget.

Emerging issues (continued)

Climate change (continued)

Council preparedness (continued)	
Baseline expectations (continued)	
Risks and Strategy: Articulate clearly whether climate change represents a principal or emerging risk and how it is being managed.	<p>To reflect the recent declaration by the Council of a climate change emergency, the Strategic Risk Register was updated in March 2020 to include Climate Change as a "High Risk" to the Council.</p>
Targets and metrics: If targets and metrics are disclosed, explain how those targets or metrics fit into strategic targets/ approach.	<p>The Climate Change (Scotland) Act 2009 set a long-term target to reduce emissions of greenhouse gases by at least 80% in 2050. Over the past 10 years, the Council's annual Climate Change Declaration has evidenced the Council's progress towards achieving these targets. However, recent scientific evidence, presented to the Committee on Climate Change, has set out that a greater level of change is needed.</p> <p>The Scottish Government passed the Climate (Scotland) Act which received Royal Assent on 31 October 2019. This Act legislates new, more stringent, targets for Carbon reduction.</p> <p>An update was reported to Cabinet in January 2020 where it noted the successes and progress made in implementing the Environmental Sustainability and Climate Change Strategy 2017-2020 and agreed the proposed target year of 2030 to achieve net-zero carbon emissions across North Ayrshire.</p>
Reporting/ Financial Statements: Transparency in the annual report	<p>Narrative is included in the 2019/20 Annual Report and Accounts as part of "Our Challenges and Areas of Focus", making specific reference to the Climate Change Strategy and the fact that the Council has declared a state of Climate Change Emergency with an ambition towards achieving a net zero carbon footprint.</p> <p>The Council may want to consider including more narrative within future Annual Reports to set out what work the Council is doing to address this Climate Change risk.</p>

Sector developments



Sector developments

Responding to COVID-19

As part of our “added value” to the audit process, we are sharing our research, informed perspectives and best practice from our work across the wider public sector.

An emerging legacy

How COVID-19 could change the public sector

While governments and public services continue to respond at scale and pace to the COVID-19 pandemic, its leaders have begun to consider how the crisis might permanently change their agencies – and seven legacies are emerging.

The COVID-19 pandemic has been uncharted territory for governments. Elected representatives, officials and public service leaders around the world are making profound decisions with no precedent to draw upon and little certainty around when the crisis will end. As French President Emmanuel Macron observed, this is a kinetic crisis – in constant motion with little time to make far-reaching decisions.

In the UK and across much of Europe, government responses have been radical and exhaustive. Health services have mobilised at scale, finance ministries have acted fast to support businesses, and the full spectrum of departments have made rapid adjustments to ensure public needs continue to be met.

While leaders across the public sector remain focused on the immediate COVID-19 threat, they are increasingly mindful of its longer-term implications – and for some, the crisis could be an inflection point for their agency. This paper explores the pandemic’s likely legacy on governments, public services and the debates that shape them.

Seven emerging legacies:

1. Our view of resilience has been recast;
2. Governments could be left with higher debt after a shock to the public finances;
3. Debates around inequality and globalisation are renewed;
4. Lines have blurred between organisations and sectors;
5. The lockdown has accelerated collaborative technologies;
6. Civil society has been rebooted and citizen behaviour may change; and
7. The legacy that still needs to be captured.

Read the full article at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/an-emerging-legacy-how-corona-virus-could-change-the-public-sector.html>

Sector developments (continued)

Responding to COVID-19 (continued)

COVID-19: Preparing for the 'next normal'

As the COVID-19 pandemic continues to unfold there is unlikely to be a rapid or decisive transition from crisis to recovery. Organisations are more likely to face a sequence of operational environments that oscillate between restriction and relaxation, before a final end-state of relative normality.

The first phase of COVID-19 response has been characterised by significant and rapid changes in the way people live their lives and how organisations operate. Many of these changes have been government-mandated. The next phase will be an opportunity for organisations to reflect and plan for a period of uncertainty and disruption. During this period businesses will need to maintain their responsibilities to their customers and staff while modifying operations to meet changes in demand and supply as government restrictions change. They will need to ensure that their recovery is sustainable in terms of resource use and flexible enough to meet change.

Copies of this report can be accessed through the following link:

<https://www2.deloitte.com/uk/en/pages/risk/articles/preparing-for-the-next-normal.html>

COVID-19: Impact on the workforce

It's likely that the way we work will be forever changed as a result of COVID-19. All of us are seeking answers to guide the way forward. That's why Deloitte's Global and UK Human Capital practice have produced a series of articles to inform business leaders on their path to respond, recover, and thrive in these uncertain times. These articles explore the impact of COVID-19 on the workforce and are aimed at supporting HR teams as they navigate their organisation's response to the pandemic.

HR leaders, in particular, have been at the centre of their organisation's rapid response to COVID-19, and have been playing a central role in keeping the workforce engaged, productive and resilient. Understandably, recent priorities have been focused almost exclusively on the respond phase. As progress is made against respond efforts, another reality is forming quickly. Now is the time for HR leaders to turn their attention toward recovery to ensure their organisations are prepared to thrive.

The latest thinking from our UK Human Capital practice is "**COVID-19 CHRO Lens: Work, Workforce and Workplace Considerations**". This workbook provides a framework to enable leaders to plan for recovery. It sets out a series of key questions across the dimensions of work, workforce and workplace, enabling organisations to plan for multiple scenarios and time horizons, as they shift from crisis response to recovery.

The workbook can be found at the following link, along with links to other articles which we would encourage you to explore.

<https://www2.deloitte.com/uk/en/pages/human-capital/articles/covid-19-impact-on-the-workforce-insight-for-hr-teams.html>

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Scrutiny Committee and the Council discharge their governance duties. Our report includes our work on the following:

- Financial management
- Financial sustainability
- Governance and transparency
- Value for money

The scope of our work

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

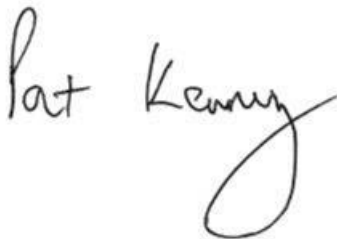
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 14 September 2020

Action plan

Follow-up 2018/19 action plan

We have followed up the recommendations made in our 2018/19 annual report and are pleased to note that all recommendations made have been fully implemented, with follow up actions being monitored as part of the BVAR work (see page 21).

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Financial sustainability – Transformation	The proposed savings targets for the next phase of transformation are ambitious, therefore, it is important the Council has the supporting infrastructure in place. We recommend the Council has detailed plans in place to deliver the next phase of transformation and monitors the progress of key objectives and outcomes of these with appropriate benefit realisation tools.	The Transformation Think Tank will review the governance that underpins planning and delivery of our transformation programme. This will include benefits realisation.	Chief Executive	December 2019	High	<i>Fully implemented. Follow up recommendation considered as part of BVAR (see page 21)</i>
Financial sustainability – Workforce planning	The Council's new approach to workforce planning is still in its early stages, so it is important that the Council monitor this new way of working closely to ensure workforce planning across the whole Council is effective.	Our workforce planning has been evolving since being established in 2018. This is a key component of our planning framework and regular updates on progress will continue to be provided.	Executive Director (Finance and Corporate Support)	March 2020	High	<i>Fully implemented. Follow up recommendation considered as part of BVAR (see page 21)</i>
Governance and transparency – Self evaluation	The Council should consider annual self-assessment of Committee and Council performance. The results of which should be made publicly available through the publication of an annual report.	CIPFA's "Delivering Good Governance in Local Government" is already adopted and an annual report to Council reviewing core governance documentation is produced. To assess the effectiveness of the current Audit and Scrutiny committee a self-assessment will be undertaken in line with best practice frameworks.	Chief Executive	March 2020	Medium	<i>Fully implemented</i>

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North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

If telephoning please ask for: **Mark Boyd 01294 324560**

Our Ref: PK/NAC2020

29 September 2020

Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Dear Pat Kenny,

This representation letter is provided in connection with your audit of the financial statements of North Ayrshire Council ('the entity') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the entity as of 31 March 2020 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of the other information in the annual report, for the purposes set out in the Code of Audit Practice 2016.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the entity, I confirm as Responsible Financial Officer, to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the entity are reasonable. We have made sufficient and appropriate disclosure of the general increased estimation uncertainty arising from the impact of Covid-19.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".

4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed. The impact of Covid-19 has been considered a non-adjusting event given the timing of the outbreak of the epidemic in the United Kingdom.
5. There are no uncorrected misstatements and disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to cease operations as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets and assets pledged as collateral.
8. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
9. We have reconsidered the remaining useful lives of the property, plant and equipment and confirm that the present rates of depreciation are appropriate to amortise the cost less residual value over the remaining useful lives.
10. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.
11. With respect to accounting estimates, we confirm:
 - the measurement processes, including related assumptions and models used to determine accounting estimates in the context of the applicable financial reporting framework are appropriate and have been applied consistently;
 - the assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity where relevant to the accounting estimates and disclosures;
 - the disclosures related to accounting estimates under the entity's applicable financial reporting framework are complete and appropriate; and
 - there have been no subsequent events that require adjustment to the accounting estimates and disclosures included in the financial statements.
12. We confirm that we consider the depreciated historic cost is an appropriate proxy for the fair value of non-property assets, and are not aware of any circumstances that would indicate that these assets require revaluation.
13. We confirm that the provisions included within the financial statements are our best estimate of the liability due by the entity.

14. We confirm that:

- all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
- all settlements and curtailments have been identified and properly accounted for;
- all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
- the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with our best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the entity;
- the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
- the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

15. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.
16. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
17. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.
18. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
19. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
- (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
20. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
21. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.

22. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
23. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
24. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
25. We confirm that:
 - (i) we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
25. All minutes of Council and Committee meetings during and since the financial year have been made available to you.
26. We have drawn to your attention all correspondence and notes of meetings with regulators.
27. We confirm that all of the disclosures relating to sections of the annual report which are considered 'other information' as set out in the Code of Audit Practice 2016 have been prepared in accordance with relevant legislation and guidance.
28. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Mark Boyd
Head of Finance

Signed as Responsible Financial Officer, for and on behalf of North Ayrshire Council.



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

If telephoning please ask for: **Mark Boyd 01294 324560**

Our Ref: SA/ZET/2020

29 September 2020

Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of North Ayrshire Council Trust Funds ('the entity') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements properly present the receipts and payments of the charity as of 31 March 2020 and their statement of balances at that date in accordance with the applicable accounting framework and the Charities and Trustee Investment (Scotland) Act 2005.

We are aware that it is an offence to mislead an auditor of a public body.

On behalf of the entity, I confirm as a Trustee, to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Charities and Trustee Investment (Scotland) Act 2005 which present fairly, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the entity are reasonable. We have made sufficient and appropriate disclosure of the general increased estimation uncertainty arising from the impact of Covid-19. We have made sufficient and appropriate disclosure of the specific material uncertainty highlighted by our valuers in relation to the valuation of property assets and are satisfied that this does not undermine the reliability of the estimate.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed. The impact of Covid-19 has been considered a non-adjusting event given the timing of the outbreak of the epidemic in the United Kingdom.

5. There are no uncorrected misstatements and disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to cease operations as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. We are not aware of events or changes in circumstances occurring during the period which indicate that the carrying amount of property, plant and equipment may not be recoverable.

Information provided

8. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
16. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.

17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. We confirm that:
 - (i) we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
19. All minutes of Council and Committee meetings during and since the financial year have been made available to you.
20. We have drawn to your attention all correspondence and notes of meetings with regulators.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Mark Boyd
Head of Finance

Signed for and on behalf of the Trustees.



North Ayrshire Council

Report to the Audit and Scrutiny Committee, Members of the
Council and the Controller of Audit on the 2019/20 audit

Issued on 14 September for the meeting on 29 September 2020

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit and Scrutiny Committee (“the Committee”) of North Ayrshire Council (“the Council”) for the year ending 31 March 2020 audit. The scope of our audit was set out within our planning report presented to the Committee in January 2020.

This audit was carried out under unusual circumstances, being a remote audit conducted during the national lockdown in response to COVID-19. We recognise the extra pressure faced by Council staff in preparing the annual report and in preparing for the audit. We engaged early with management on the potential implications of COVID-19 for the preparation of the annual report as well as the audit, and management confirmed their desire to work to the original timetable. While the shift to remote working placed pressure on the original timetable for preparation of the annual report and completion of the audit, we have worked closely with management to mitigate this whilst maintaining audit quality as our number one focus.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Accountable Officers’ duty to secure best value.



Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The impact of COVID-19 has led to a material uncertainty being identified by the Council's property valuers in relation to the valuation of the Council's estate. As a result, we expect to include an 'Emphasis of Matter' paragraph within our audit report.

The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Council.

The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 10.

No uncorrected misstatements in excess of our reporting threshold of £250,000 or material disclosure deficiencies have been identified up to the date of this report.

Status of the financial statements audit

Outstanding matters to conclude the audit include:

- Receipt of outstanding borrowings confirmations;
- Finalisation of charitable trusts audits;
- Completion of WGA audit;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2020.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. This incorporated the specific risks highlighted by Audit Scotland.

Our separate detailed report is presented along with this paper and sets out our findings and conclusions on each dimension. In accordance with the Code of Audit Practice, we have included our overall conclusions within this report.

The outbreak of COVID-19 has brought unprecedented challenges to organisations around the country. It is not yet known what long-term impacts these will have on populations and on the delivery of public services, but they will be significant and could continue for some time. While our reports makes reference to COVID-19 where relevant in each of the dimensions, we have not considered the full impact of COVID-19 on the Council at this stage.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial Management - The Council has strong financial management arrangements. The General Fund and HRA ended the year with an in-year surplus and savings targets were largely achieved. The financial position and variances were transparently reported to Cabinet throughout the year. The change to Section 95 Officer role from 1 April 2020 has transitioned smoothly.

Financial sustainability - The Council achieved short-term financial balance in 2019/20 and has set a balanced budget for 2020/21. The current reserves held are at an acceptable level. It is also positive to note that the Council is actively assessing the financial impact of COVID-19. There does, however, remain a risk, therefore it is important that the position is closely monitored.

As reported through the BVAR, the Council has made good progress with its transformation agenda, however, it still faces a significant shortfall and detailed plans are not yet in place. The Council has a coordinated approach to workforce planning and is developing workforce plans to support transformational change.

The full development of workforce plans and arrangements to monitor and report the benefits from its transformation plans needs to be progressed as a matter of priority.

Governance and transparency - The Council continues to have strong leadership in place and robust governance and scrutiny arrangements in place. Appropriate arrangements have been put in place in response to the COVID-19 pandemic.

The Council continues to be open and transparent. It also continues to embrace the principles of Community Empowerment and has a clear focus on improving equality outcomes.

The IJB has made some good progress during the year, particularly in its approach to transformation, however, the financial position of the IJB continues to be challenging. This is being actively monitored by the Council.

Value for money - The Council continues to have a clear and robust performance management framework in place. It also has a robust and long-standing arrangements in place to comply with the new SPI Direction including its public performance reporting requirements.

The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Best Value - The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development.

Introduction (continued)

The key messages in this report (continued)

Next steps

An agreed Action Plan is included as an Appendix on page 30 of this report in relation to the financial statements audit where we have followed up previous years actions. A separate Action Plan on the findings of the audit dimensions work is included in our separate report. We will consider progress with the agreed actions as part of our 2020/21 audit.

Added value

Our aim is to add value to the Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout both of our reports. In addition, as information emerges as a result of the COVID-19 pandemic, we have shared guidance with management on areas to consider in relation to internal controls, fraud risks and annual reporting. In addition, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which are open to anyone to join.

Pat Kenny
Audit Director








Financial statements audit



Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		Management demonstrated a clear understanding of key accounting judgements and estimates made in the preparation of the Annual Report and Accounts and provided sufficient appropriate evidence of good quality to support these.
Adherence to deliverables timetable		Key deliverables were provided in a timely manner, in advance of agreed timelines. Any follow-up requests during the audit were quickly actioned.
Access to finance team and other key personnel		Deloitte and the Council have worked together to facilitate remote communication during the audit. This has included effective use of such technologies as Microsoft Team and Deloitte Connect.
Quality and accuracy of management accounting papers		On the whole documentation provided has been a good standard. This included documentation that reconciled to the draft financial statements.
Quality of draft financial statements		A full draft of the annual report and accounts was received for audit on 29 June 2020. The draft was of a high standard with limited changes required.
Response to control deficiencies identified		We have not identified any significant control deficiencies during the course of our audit.
Volume and magnitude of identified errors		We have not identified any significant financial adjustments to date.



Lagging



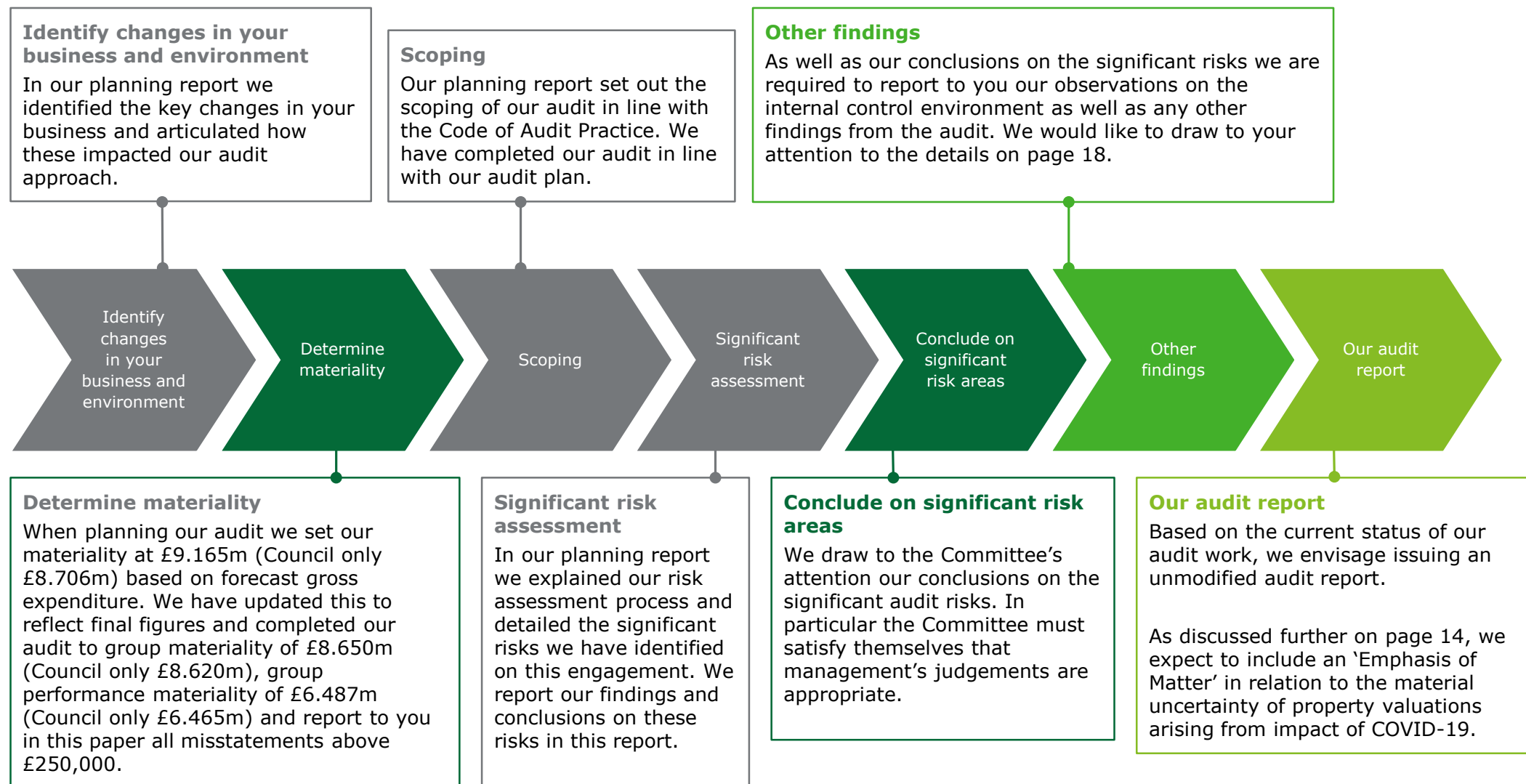
Developing









Mature

Our audit explained

We tailor our audit to your business and your strategy



Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Recognition of grant income			D+I		Satisfactory	11
Management override of controls			D+I		Satisfactory	12

Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 - Recognition of grant income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

Key components of income for the Council are summarised in the table below. The General Revenue Grant and Non-Domestic Rates income which are directed by the Scottish Government and not considered a significant risk as the process for receipt of this income is not complex and can be verified 100% to third party evidence therefore there is little scope for manipulation. Similarly, the income from the IJB relates to services Commissioned from the Council and can be verified 100%. Council tax and housing rent income are set through the annual budget process with no management judgement and therefore have a low risk of fraud. Similarly, other Service Income includes fees and charges across all Services, which are set through formal approval processes, with no history of fraud or error. Finally, we perform detailed assurance work on housing benefits and therefore are satisfied that these amounts are not a significant risk area.

The significant risk is pinpointed to the recognition of grant income, comprising capital grants and contributions and service specific grants.

Key judgements and our challenge of them



Grant income is a significant risk due to:

- management judgement in determining if there are any conditions attached to a grant and if so whether the conditions have been met; and
- complex accounting for grant income as the basis for revenue recognition in the accounts will depend on the scheme rules for each grant.

Deloitte response



We have performed the following:

- assessed management's controls around recognition of grant income; and
- tested a sample of capital grants and grants credited to services to confirm these have been recognised in accordance with any conditions applicable and applicable accounting standards.

Type of income	2019/20 (£m)	Significant risk
<u>Taxation and Non-Specific Grant Income</u>		
Council tax income	57.0	
Non domestic rates	41.1	
General revenue grant	233.6	
<i>Capital Grants and Contributions</i>	39.1	✓
<u>Service Income</u>		
<i>Service Specific Grant Income</i>	31.7	✓
Housing Benefit Subsidy	41.9	
Housing Revenue Account	49.5	
IJB commission income	122.1	
Other Service Income	40.3	
Total Service Income	285.5	

Deloitte view

We have concluded that grant income has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Significant risks (continued)

Risk 2 - Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Council's controls for specific transactions.



Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- the Council's results throughout the year were projecting underspends in the year. This was closely monitored with a good understanding of the reasons for the variances; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates and judgements (see next page)

We have performed design and implementation testing of the controls over key accounting estimates and judgements.

We reviewed accounting estimates for biases that could result in material misstatements due to fraud, as set out in the summary on the following page. We concluded that overall the changes to estimates in the period were balanced and did not indicate a bias to achieve a particular result.

We tested accounting estimates and judgements including the pension liability, valuation of property assets, and provisions focusing on the areas of greatest judgement and value. Our procedures included comparing amounts recorded or inputs to estimates to relevant supporting information from third party sources.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed to date.

Significant risks (continued)

Risk 2 - Management override of controls (continued)

Key judgements

The key judgement in the financial statements are those which we have selected to be the significant audit risks around the recognition of grant income (page 11). While not considered to be significant audit risks, we have considered the assumptions used to calculate the pension liability (page 15), the valuation methodology for property valuations (page 14), and the recognition of expenditure (page 17). In the table below, we set out our challenge of the assumptions used in the determination of provisions. As part of our work on this risk, we reviewed and challenge management's key estimates and judgements including:

Estimate / judgement	Details of management's position	Deloitte Challenge and conclusions
Provisions	<p>The total provisions held within the Council's balance is immaterial, at £2.699m. This comprises provisions a number of individually immaterial provisions, including:</p> <ul style="list-style-type: none"> • £0.885m in relation to estimated abnormal development costs in relation to Council House development sites. • £0.695m in relation to the Council's landfill site at Shewalton in Irvine. • £0.545m in relation to employee retiral commitments the Council had in place at 31 March 2020. • Other smaller provision in relation to equal pay, employee costs of paid absences, teachers maternity pay and potential liabilities to meet expenditure incurred in respect of the former Cunninghame District Council and Strathclyde Regional Council. 	<p>We examined the rationale for each provision, including a retrospective review of amounts provided in 2018/19. We have consulted with the Council's legal experts to confirm completeness of the provisions.</p> <p>In relation to the provision for equal pay, we have challenged the completeness of the provisions made through review and discussion with the Council's legal advisors and benchmarked with our industry knowledge.</p> <p>We concluded that the provisions made were reasonable.</p>

Other areas of audit focus

Property valuations

Risk identified

The Council is required to hold property assets within Property, Plant and Equipment at a modern equivalent use valuation. The valuations are, by nature, significant estimates based on specialist and management assumptions and which can be subject to material changes in value. We did not identify this as a significant risk in our Audit Plan as our property specialists, Deloitte Real Estate, reviewed the methodology applied by the Council's valuer in previous years and concluded it was robust.

The Council has had an independent valuation carried out at 31 March 2020 for the purposes of the 2019/20 financial statements as part of its five-year rolling programme. The Council's also engaged the District Valuer to carry out a full valuation of HRA property assets during the year. The impact of COVID-19 has led to a material uncertainty being identified by the Council's property valuer regarding the valuation of properties. Although our overall assessment of the risk level regarding the Council's property valuation, has not increased to 'significant', we expect to include an 'Emphasis of Matter' in our Independent Audit Report.



Key judgements

The valuation method has not changed from the prior year and is in line with International Financial Reporting Standards, with a full revaluation being carried out in line with previous years. The Council's revaluation has resulted in a net downward revaluation to property values of 9.008m.

Both the District Valuer and internal valuer identified a material uncertainty due to the impact of COVID-19 on individual markets, this is in line with RICS guidance published on 18 March 2020, as follows:

"The outbreak of the Novel Coronavirus (COVID-19) declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review".



Deloitte response

- We have engaged our property specialists in relation to the impact of COVID-19 as well as reviewing the methodology and assumptions in the HRA valuation;
- We have assessed the presentation of revaluation movements and impairments, taking into account revaluation reserves for individual assets, and the disclosures included in the financial statements.
- We have reviewed both the District Valuer and internal valuer's reports and assessed managements disclosure of the key source of estimation uncertainty.
- We have assessed managements disclosure of the key source of estimation uncertainty.

Deloitte view

Based on the audit evidence obtained, we are satisfied that the valuation of the Council's estate is appropriate. However, we expect to include an 'Emphasis of Matter' in our Independent Audit Report due to the material uncertainty identified by the valuers concerning valuations at 31 March 2020 due to the impact of COVID-19 on the property market.

This has been appropriately disclosed in the notes to the financial statements.

Other areas of audit focus (continued)

Defined benefits pension scheme

Background

The Council participates in two defined benefits schemes:

- Scottish Teachers' Superannuation Scheme, administered by the Scottish Government; and
- The Strathclyde Pension Fund, administered by Glasgow City Council.

The net pension liability has decreased from £198.942m in 2018/19 to £122.116m in 2019/20. The decrease is as a result in changes in assumptions, specifically driven by reduced inflation assumptions, resulting in a reduction in the value of pension liabilities, partly offset by a reduction in the return on Scheme assets, resulting in the change in the value of the pension assets.

The Council's pension liability continues to be affected by the McCloud legal case in respect of potential discrimination in the implementation of transitional protections following changes in public sector pension schemes in 2015. Following recent consultation published by the SPPA, the actuary has amended its estimate of the impact of McCloud to only include members that were in service before 1 April 2012. This has resulted in a reduction of £6.701m to the liability disclosed in the draft accounts which has been updated in the final accounts. The actuary has made this adjustment to past service costs, but has not made any allowance within the current service costs for the impact of McCloud, therefore does not fully represent the cost of the benefits accruing for current service. The Council's actuary has estimated that the potential impact of this is an £561,000 understatement of the liability. This is an estimate and the actual cost could be different. This has also been updated for in the final accounts.

In the current year there was an additional legal case - the Goodwin judgement - that has an impact on the scheme. The judgement is in respect of a Teacher's Pension case where there was deemed to be discrimination in spousal transfer on death of the member (where a male widower was deemed to be discriminated against through receiving a different level of benefits than a female widow). The actuary has amended its estimates to take into account this case, which has resulted in an increase in liability of £0.778m to the liability disclosed in the draft accounts which have been updated in the final accounts.



Deloitte response

- We assessed the independence and expertise of the actuary supporting the basis of reliance upon their work.
- We reviewed and challenged the assumptions made by Hymans Robertson, including benchmarking as shown the table below.
- We have requested assurance from the auditor of the pension fund over the controls for providing accurate data to the actuary.
- we assessed the reasonableness of the Council's share of the total assets of the scheme with the Pension Fund financial statements.
- we have reviewed and challenged the calculation of the impact of the McCloud and Goodwin cases on pension liabilities.
- we reviewed the disclosures within the accounts against the Code.

	Council	Comments
Discount rate (% p.a.)	2.3%	Prudent and reasonable
Retail Price Index (RPI) Inflation rate (% p.a.)	2.7%	Prudent end of reasonable range
Consumer Price Index (CPI) Inflation rate (% p.a.)	1.9%	Prudent end of reasonable range
Pension increase in payment (% p.a.)	1.9%	Reasonable
Pension increase in deferment (% p.a.)	1.9%	Reasonable
Salary increases	3%	Real salary increases 1.1% above CPI inflation
Mortality assumptions	Various	Prudent

Deloitte view

Following receipt of the updated accounts to reflect the changes to the liability for both McCloud and Goodwin (net impact was a reduction in liability of £6.484m), we are satisfied that the net pension liability disclosed in the accounts is materially correct.

Other areas of audit focus (continued)

Expenditure recognition

Risk identified

In accordance with Practice Note 10 (*Audit of financial statements of public sector bodies in the United Kingdom*), in addition to the presumed risk of fraud in revenue recognition set out in ISA (UK) 240, as discussed further on page 12, auditors of public sector bodies should also consider the risk of fraud and error on expenditure. This is on the basis that most public bodies are net spending bodies, therefore the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition.

We have considered this risk for the Council and concluded that we are satisfied that the control environment is strong and there is no history of errors or audit adjustments. This was therefore not been assessed as a significant risk area, but continued to be an area of audit focus.



Deloitte response

We performed the following procedures to address the above risk:

- A review of the number and median value of invoices processed in the year. As illustrated in table opposite, based on the medium amount, the Council would need to omit over 37,361 invoices at year-end to result in a material error. We noted that in the month following the year-end, a total of 8,216 invoices were processed. We therefore concluded that a risk of material misstatement was remote.
- An analytical review to test the completeness and accuracy of year-end creditor balances was carried out. We are satisfied that the amount recorded is reasonable.

	Invoice Analysis
Median invoice amount	£230.72
Average number of invoices processed per month	4,834
Number of invoices that would need to be unrecorded to cause a material misstatement	37,361
Total invoices processed in April 2020 (one month after year-end)	8,216 (total value £33.3m)

Deloitte view

We have concluded that expenditure has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Other areas of audit focus (continued)

Charitable trusts

Risk identified

From 2013/14, all Scottish Councils who act as sole trustees for any registered charities have to fully comply with the Charities Accounts Regulations. This requires Charities SORP compliant accounts to be prepared for each charity, and a separate audit of each. North Ayrshire Council administers eight such registered charities, disclosed in a single set of annual accounts. This is in accordance with the connected charities rules.

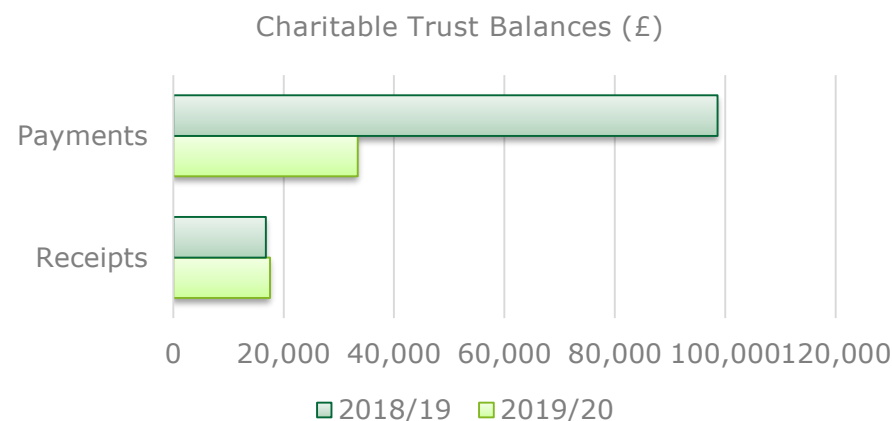
As the gross income of each of the Trusts is less than £100,000, the Council has opted to prepare the charitable trust accounts on a receipts and payments basis in accordance with The Charities Accounts (Scotland) Regulation 2006. Fully compliant Charities SORP accounts are therefore not required and disclosure is limited to that specified in the Regulations.



Deloitte response

We have assessed that the Statement of Receipts and Payments and the Statement of Balances to ensure these have been prepared in accordance with the Charities Accounts (Scotland) Regulations 2006.

A summary is provided in the table adjacent. From an initial review of draft annual accounts we note that there has been a large movement in payments which have dropped from £98k in 2018/19 to £33k in 2019/20. The biggest decline was reported in payments for Kilwinning Trust which dropped by £61k (78%) as a result of Council's policy in prior year to encourage the utilisation of funds in support of suitable projects within the relevant communities.




Deloitte view

Our testing of the charitable trusts is still ongoing at time of issuing this report, but from the procedures completed to date on annual accounts we have found no issues. A verbal update will be provided to the Committee on conclusion of this work.

Other significant findings

Internal control and risk management

During the course of our audit we have identified one internal control and risk management finding, which we have included below for information.

Area	Observation	Priority
IT Systems	During the IT review of Council’s system there were two control deficiencies identified by IT specialists which have been communicated to the management. Management have considered these and confirmed that compensating controls are in place to mitigate the risk associated with these deficiencies. There has been no impact on the audit from these deficiencies as no control reliance is placed on IT controls during our audit.	

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to you.

Low Priority

Medium Priority

High Priority

Other significant findings (continued)

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The Council's accounts have been prepared in accordance with the Local Authority Code of Practice (the Code). The accounting policies adopted are in line with the Code.

We identified areas some areas where disclosures could be improved in line with accounting standards and best practice which management have agreed to change in the final accounts.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation, including the impact of the material valuation uncertainty on PPE valuations.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

We received an objection to the Council's accounts in accordance with section 101 of the Local Government (Scotland) Act 1973 in relation to the Common Good and Trust Funds. We have provided an initial response and currently considering the detail. Any significant matters arising will be reported to the Audit and Scrutiny Committee prior to the approval of the accounts.

We will obtain written representations from the Council on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Coronavirus (Covid-19) outbreak

Impact on the annual report and audit

The current crisis is unprecedented in recent times. The NHS and care sector is most directly exposed to the practical challenges and tragedies of the pandemic, and is undergoing major, rapid operational changes in response.

The uncertainties and changes to ways of working also impact upon the reporting and audit processes, and present new issues and judgements that management and the Committee need to consider. CIPFA has issued guidance relating to the impacts on the annual report to assist in making relevant disclosures. We summarise below the key impacts on reporting and audit:

Impact on Council annual report and financial statements	Impact on our audit
<p>The Council need to consider the impact of the outbreak on the annual report and financial statements including:</p> <ul style="list-style-type: none">• Principal risk disclosures• Change in the funding regime for 20/21• Property valuation material uncertainty• Impairment of non-current assets• Allowance for expected credit losses• Fair value measurements based on unobservable inputs• Onerous contracts and any potential provisions• Going concern• Events after the end of the reporting period	<p>COVID-19 has fundamentally changed the way we have conducted our audit this year including:</p> <ul style="list-style-type: none">• Teams are primarily working remotely with some challenges in accessing 'physical' documentation and with availability of some Council staff.• The teams have had regular status updates to discuss progress and facilitate the flow of information.• Consideration of impacts on the areas of the financial statements and annual report listed has been included as part of our audit work in the current year and comments have been included where appropriate within this report.• In conjunction with the Council staff, we will continue to consider any developments for potential impact up to the finalisation of our work in September 2020.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements is expected to be unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

While the Council is faced with financial sustainability issues (as discussed on page 5), it achieved a balanced budget in 2019/20 and has agreed a balance budget for 2020/21. There is also a general assumption set out in Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom) that public bodies will continue in operation, therefore it is appropriate to continue as a going concern.



Emphasis of matter and other matter paragraphs

As discussed on page 14, we expect to include an 'Emphasis of Matter' paragraph within our audit report in relation to the material uncertainty associated with the property valuations.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 22.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The management commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non-financial KPIs and made good use of graphs and diagrams. The Council also focusses on the strategic planning context.	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the management commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Following minor amendments made during the course of the audits, we are satisfied that the management commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p> <p>The Council has continued to look for ways to improve the quality of management commentary including the use of graphics and charts. There is also good linkage of performance to national outcomes in line with best practice.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior councillors and Senior Employees of the council.	<p>We have audited the disclosures of remuneration and pension benefits, pay bands, and exit packages.</p> <p>We can confirm that auditable parts of Remuneration report have been properly prepared in accordance with the regulations.</p>
Annual Governance Statement	The Annual Governance Statement reports that the Council governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts regulations.

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit and Scrutiny Committee and the Council discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Audit and Scrutiny Committee and the Council, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

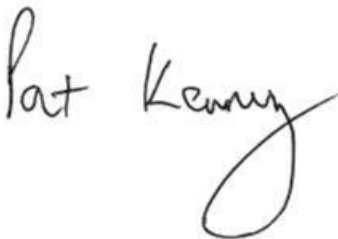
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Council.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA
For and on behalf of Deloitte LLP
Glasgow | 14 September 2020

Action plan

Follow-up 2018/19 action plan

We have followed up the recommendations made in our 2018/19 annual report in relation to the wider scope areas and are pleased to note that one of the recommendations made have been fully implemented with the IFRS 16 point delayed due to the HM Treasury deferring the impact of this for another year.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
<i>Financial Statements – IFRS 16 Leases</i>	We recommend the Council targets completion of its IFRS 16 impact analysis during 2019/20, and to calculate an adjusted opening balance sheet position for audit following the 31 March 2020 audit. We recommend early consideration following the impact analysis of actions required to embed IFRS 16 accounting in the Council's underlying accounting systems(see page 16).	Work is ongoing to determine the full impact of the changes in accounting requirements and embed these requirements within the Council's accounting procedures.	Head of Financial and Customer Services	31 March 2020	Medium	<p>Partially implemented:</p> <p>Updated management response: During 2019/20 the Council identified and reviewed all current leases across the Council. Management will determine the full impact and prepare a revised opening balance sheet in the 2020/21 Accounts following the delay of IFRS16 as a result of COVID-19.</p> <p>Updated target date: 31 March 2021</p>
<i>Financial Statements – Bank Reconciliations</i>	The Council should put in place a formal procedure for investigating reconciling items to ensure that they are valid and followed up on a timely basis with appropriate action taken where necessary (see page 16).	An internal process has been implemented to investigate all outstanding bank items on a monthly basis and hold regular meetings cross service to address all reconciling items and ensure corrective action is taken.	Head of Financial and Customer Services	31 March 2020	Low	<p>Fully implemented – reconciling items relates to 2019/20.</p>

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Council to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

We have also asked the Council to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in the recognition of grant income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the audit committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been identified regarding fraud.



Independence and fees



As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Council and will reconfirm our independence and objectivity to the Audit and Scrutiny Committee for the year ending 31 March 2020 in our final report to the Audit and Scrutiny Committee.	
Fees	The audit fee for 2019/20, in line with the fee range provided by Audit Scotland, is £302,520 as analysed below:	
		£
	Auditor remuneration	184,610
	Audit Scotland fixed charges:	
	Pooled costs	18,060
	Performance Audit and Best Value	88,690
	Audit support costs	11,160
	Total proposed fee	302,520
	In addition, the audit fee for the charitable trusts audit is £1,200.	
	There are no non-audit services fees proposed for the period.	
Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard and the Council's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.	
Relationships	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.	
	We are not aware of any relationships which are required to be disclosed.	

Quality of public audit in Scotland

Annual report 2018/19

Audit Scotland published its annual assessment of audit quality carried out on the audit work delivered by Audit Scotland and appointed firms. A copy of the full report is available: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-201819>

Public audit in Scotland

Recent high-profile corporate collapses in the private sector have led to considerable scrutiny of the audit profession. The Brydon review is looking into the quality and effectiveness of the UK audit market. The Kingman review, the Competition and Markets Authority market study of the audit services market and the Business, Energy and Industrial Strategy Committee's report on the Future of Audit have all reported on structural weaknesses in the private sector audit regime. The reviews are placing a strong focus on the need for independence of auditors from the bodies they audit.

The public audit model in Scotland is fundamentally different to the private sector audit regime and is well placed to meet the challenges arising from the reviews of the auditing profession. Public audit in Scotland already operates many of the proposed features to reduce threats to auditor independence including:

- independent appointment of auditors by the Auditor General for Scotland and Accounts Commission
- rotation of auditors every five years
- independent fee-setting arrangements and limits on non-audit services
- a comprehensive Audit Quality Framework.

The Audit Scotland Audit Quality and Appointments (AQA) team will continue to develop its activities to provide the Auditor General for Scotland and Accounts Commission with assurance about audit quality. The Audit Quality Framework will be refreshed to take account of the findings from the first two years of its application and to reflect on the developments in the wider audit environment. Further development is planned over the following year to include:

- enhancing stakeholder feedback
- reviewing the structure and transparency of audit quality reporting.

Key messages

The programme of work carried out under the Audit Quality Framework provides evidence of compliance with auditing standards and the Code of audit practice (the Code), together with good levels of qualitative performance and some scope for improvements in audit work delivered in the period 1 April 2018 to 31 March 2019.

Independent external reviews of audit quality carried out by The Institute of Chartered Accountants of Scotland (ICAS) show evidence of compliance with expected standards:

- ICAS did not identify any concerns with audit opinions
- 55 per cent of financial audit files reviewed by ICAS over the last two years were graded as limited improvement required, the remaining reviews were graded as improvement required (*100% of Deloitte files – limited improvement*)
- ICAS noted considerable improvements in the documentation of performance audits and Best Value assurance reports.

Other performance measures showing good performance include:

- 78 per cent of internal reviews of financial audits in the last two years required only limited improvements (*100% of Deloitte internal reviews graded as no improvement required*)
- all audit providers have a strong culture of support for performing high-quality audit
- stakeholder feedback shows audit work has had impact
- non-audit services (NAS) are declining in number and value and requests made complied with the Auditor General for Scotland and Accounts Commission's NAS policy.

AQA monitors progress against areas for improvement. A common area for improvement in the last two years has been the need for better documentation of audit evidence. In 2018/19 further areas for improvement were identified in:

- the use of analytical procedures
- the application of sampling.

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NORTH AYRSHIRE COUNCIL

29 September 2020

Audit & Scrutiny Committee

Title: HSCP – Budget Monitoring Report

Purpose: To provide an update on the projected financial outturn for the financial year as at July 2020.

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

1. Executive Summary

- 1.1 The attached report provides an overview of the financial position for the partnership and outlines the projected year-end outturn position informed by the projected expenditure and income commitments, these have been prepared in conjunction with relevant budget holders and services. The report also outlines the estimated financial impact of the Covid-19 response, the associated funding and financial risks.

2. Background

- 2.1 The Audit and Scrutiny Committee agreed to receive regular reports on the financial performance of the Health and Social Care Partnership. The Budget Monitoring report presented to the IJB on 24 September 2020 outlined the projected financial outturn for the financial year as at July 2020 and is attached as an appendix.

3. Proposals

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

4. Implications

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

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

5. Consultation

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



Stephen Brown
Director Health & Social Care Partnership

For further information please contact **Caroline Cameron** on **07801 439900**.

Background Papers

None

Integration Joint Board
24 September 2020

Subject: **2020-21 – Month 4 Update**

Purpose: To provide an overview of the IJB's financial performance as at Period 4 including an update on the estimated financial impact of the Covid-19 response.

Recommendation: It is recommended that the IJB:

- (a) notes the overall integrated financial performance report for the financial year 2020-21 and the overall projected year-end overspend of £0.066m at period 4;
- (b) notes the estimated costs of the Covid mobilisation plan of £7.2m, including savings delays, and the associated funding received to date;
- (c) note the financial risks for 2020-21, including the impact of Covid 19, and that there is no recommendation at this time to implement a formal Financial Recovery Plan for the IJB;
- (d) approve the budget changes outlined at section 2.8.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
HSCP	Health and Social Care Partnership
MH	Mental Health
CAMHS	Child & Adolescent Mental Health Services
RAG	Red, Amber, Green
UNPACS	UNPACS, (UNPlanned Activities) – Extra Contractual Referrals
NRAC	NHS Resource Allocation Committee
GAE	Grant Aided Expenditure
PAC	Performance and Audit Committee

1.	EXECUTIVE SUMMARY
1.1	The report provides an overview of the financial position for the partnership and outlines the projected year-end outturn position informed by the projected expenditure and income commitments, these have been prepared in conjunction with relevant budget holders and services. It should be noted that although this report refers to the position at the July period end that further work is undertaken following the month end to finalise projections, therefore the projected outturn position is as current and up to date as can practicably be reported.
1.2	The projected outturn, before the impact of Covid-19, is a year-end overspend of £0.066m for 2020-21 which is an adverse movement of £0.039m. It should be noted that this is at a point relatively early in the financial year and there is scope for this

	<p>position to fluctuate due to in-year cost and demand pressures and assumptions in relation to funding and the achievement of savings. The position has been adjusted to reflect the potential impact of Lead Partnership services. In the absence of any alternative risk sharing agreement for lead partnership services an NRAC share of the projected position has been assumed as this would be in line with the allocation in previous years. The South and East partnerships did not report at period 3 so this is the first month that their recharges are included in the report with a net adverse impact of £0.028m on the North HSCP.</p>
1.3	<p>From the core projections, overall the main areas of pressure are learning disability care packages, looked after children and adult in-patients within the lead partnership. However, there has been significant progress to reduce the pressures in these areas. The financial projection of effectively a break-even position demonstrates the progress made towards financial balance as part of the 2019-20 recovery plan and other service transformation plans contributing to reduced costs. The position also demonstrates that the work started before the pandemic to ensure the IJB moved into the new financial year in a financially sustainable position has not been delayed or impacted by the Covid-19 response. If this position can be sustained as we move through the year, and assuming all Covid-19 costs are fully funded, the IJB will secure financial balance and repay £1.5m of the debt to North Ayrshire Council as planned.</p>
1.4	<p>The most up to date position in terms of the mobilisation plan for Covid-19 based on the return to the Scottish Government on 14 August projects £7.2m of a financial impact, which is split between additional costs of £6.1m and anticipated savings delays of £1.115m. The impact of savings delays has been built into the core financial projection above on the basis that there is less confidence that funding will be provided to compensate for this. There are financial risks associated with Covid-19 as the IJB has yet to receive confirmation of the full funding allocation, to date we have received a share of £83m nationally (£3.5m for North Ayrshire) to assist with pressures for social care services, we have not received any funding to date to fund any additional health costs. It is anticipated that funding for NHS Boards for Health Services will be allocated by the end of September.</p>
1.5	<p>Until the funding for Covid-19 is confirmed there is a risk that there may be a shortfall in funding to fully compensate the North Ayrshire IJB for the additional costs. However, there is no recommendation at this time to implement a Financial Recovery Plan on the basis that:</p> <ul style="list-style-type: none"> • There is increasing confidence that additional costs will be funded based on the recently received and future expected funding allocations; • It is likely that any gap will be clearer towards the end of September when NHS Board funding allocations are expected to be confirmed; • The potential worst-case scenario in terms of any funding shortfall would be in the range of £1.3m and £1.9m, if this gap materialises there are areas we could explore to mitigate later in the year as part of a recovery plan if required; • The most significant area of additional Covid cost is the purchase of PPE for social care, the model for the purchase and supply is currently under review and any options to change from the current model are likely to reduce the future estimated costs; • The period 4 position projects a balanced financial position (excluding Covid) and this does not include any assumption re the £1.5m held by the Council towards the IJB debt, this position assumes the debt repayment is made as planned, this position also incorporates estimated delays with savings delivery.

	The financial position will continue to be reported to the IJB at each meeting, these reports will outline the monthly financial projections and the updated position in relation to estimates for Covid costs. This will include the ongoing consideration of whether a Financial Recovery Plan may be required in the future.
2.	CURRENT POSITION
2.1	<p>The report includes an overview of the financial position including commitments against the available resource, explanations for the main budget variances, an update on progress in terms of savings delivery and plans to work towards financial balance.</p> <p>The report also includes detail of the estimated costs and potential financial impact of the Covid-19 response.</p>
	FINANCIAL PERFORMANCE – AT PERIOD 4
2.2	<p>The projected outturn position at period 4 reflects the cost of core service delivery and does not include the costs of the Covid 19 response as these costs are considered separately alongside the funding implications.</p> <p>Against the full-year budget of £252.768m there is a projected year-end overspend of £0.066m (0.03%). The Integration Scheme outlines that there is an expectation that the IJB takes account of the totality of resources available to balance the budget in year. Following this approach, an integrated view of the financial position should be taken, however it is useful to note that this overall position consists of a projected overspend of £0.644m in social care services offset by a projected underspend of £0.578m in health services.</p> <p>As highlighted at the end of last year the payroll turnover target was to be centralised for future years as the approach in previous years left some service areas with unachievable targets whilst other areas were able to overachieve, it was agreed that a more transparent approach would be to manage the payroll turnover and vacancy savings centrally. This approach has been adopted for 2020-21, this has helped to de-clutter the financial report and to make it more transparent re the overall turnover target and the progress towards achieving this across the partnership. Section 2.6 highlights progress with the partnership vacancy target.</p> <p>Appendix A provides the financial overview of the partnership position. The sections that follow outline the significant variances in service expenditure compared to the approved budgets with detailed analysis provided in Appendix B.</p>
2.3	Health and Community Care Services
	<p>Against the full-year budget of £69.757m there is an underspend of £1.184m (1.7%) which is an adverse movement of £0.153m. The main variances are:</p> <p>a) Care home placements including respite placements (net position after service user contributions) – underspent by £1.024m (adverse movement of £0.373m). The care home budget moved into a sustainable position towards the end of 2019-20 and the opening position for the budget for 2020-21 was expected to be an underspend position as at that time we set the budget at a level to fund 810 places and we were funding 782. The occupancy in care homes has fallen further in the first quarter of 2020-21 and there are significant vacancies in care homes, the projected</p>

	<p>underspend includes a steady net increase of 10 placements per month until the year-end. The main reason for the adverse movement is a reduction of £0.293m to the respite budget as the Carers funding previously allocated to this area is no longer required as the respite budget is projecting an underspend.</p> <p>b) Independent Living Services are overspent by £0.321m (adverse movement £0.021m) which is due to an overspend on physical disability care packages within the community and direct payments. There is an expectation that there will be some recovery of funds from Direct Payments where services have ceased, this may improve the projected position. There will be further work undertaken with the implementation of the Adult Community Support framework which will present additional opportunities for reviews and will ensure payment only for the actual hours of care delivered. The roll out of the CM2000 system for Adult services was postponed towards the year-end due to the Covid response and will be implemented early October.</p> <p>c) Care at home is projected to overspent by £0.049m (adverse movement £0.033m). Significant progress was made during 2019-20 to reduce the overspend as part of the Financial Recovery Plan, the remaining overspend was considered and addressed as part of the budget approved for 2020-21 as part of the overall budget re-alignment, demand pressures and savings included in the budget. This left care at home with resources to grow the service during the year which has assisted with the response to Covid 19. The financial projections reflect recent recruitment and assumes maintaining the service at the current level until the end of 2020-21 and we are currently reviewing the financial impact of transferring work from two of the commissioned framework providers to the in-house service.</p> <p>d) Aids and adaptations projected underspend of £0.300m (no movement). There have been significant delays with carrying out assessments and providing equipment and adaptations during lock down. The year to date spend at period 4 is less than £0.100m, but there are some larger orders recently placed. It is expected that during the year there will be considerable delays with this spend, the level projected currently is in line with the underspend in 2019-20 and it is likely this underspend will be greater, however this cannot be determined at this stage in the year.</p> <p>e) Carers Act Funding is projected to underspend by £0.443m (£0.293m favourable movement) based on the currently committed spend and delays with taking forward developments to support carers. The total uncommitted budget is £0.560m so this projected position assumes there will be carers' support plans undertaken and a level of demand/services identified from these plans to be delivered later in the year. The favourable movement is due to the return of £0.293m from the respite budget as the Carers funding previously allocated to this area is no longer required as the respite budget is projecting an underspend.</p>
2.4	<p>Mental Health Services</p> <p>Against the full-year budget of £77.324m there is a projected underspend of £0.202m (0.3%) which is an adverse movement of £0.558m. The main variances are:</p> <p>a) Learning Disabilities are projected to overspend by £1.827m (adverse movement £0.204m), included within this is £1.503m (£0.068m adverse movement) in relation to community care packages and £0.367m (£0.175m adverse movement) for residential placements. The adverse movement in residential placements relates</p>

to double running costs for service users unable to move to Trindlemoss due to COVID and we continued to pay for their previous placement until they could move in. The 2020-21 budget for all adult care packages (LD, PD and MH) were realigned with any projected underspends in other areas being used to reduce the LD projected overspend. 2020-21 savings relating to the implementation of the Adult Community Support Contract are delayed as the full implementation of the CM2000 system has been postponed as the focus has been on the response to COVID-19, the financial benefits of the system are included in the projection later in the year. Community Learning Disability Care packages are proving to be one of the most challenging areas to address overspends. The current projection assumes the current level of commissioned support will continue for the year, there are opportunities to reduce this commitment as a significant number of these care packages were reduced or suspended during lock down, these will be reviewed when services are re-started to ensure support is re-started at the appropriate level, this may potentially reduce the year-end projected position.

- b) Community Mental Health services are projected to underspend by £0.254m (£0.046m favourable movement) mainly due to a reduction in care packages. There has been a reduction in the number of care packages since the start of the year and there have been some temporary reductions to care packages during lock-down, currently these are assumed to be temporary reductions, these will also be reviewed when brought back online.
- c) The Lead Partnership for Mental Health has an overall projected underspend of £1.361m (adverse movement of £0.435m) which consists of:
- A projected overspend in Adult Inpatients of £0.600m (adverse movement of £0.329m) mainly due to the delay in closing the Lochranza ward on the Ailsa site. The ward closed during August 2020 but the assumption around staff re-deployment costs have been increased which is the reason for the adverse movement and the overspend may reduce if alternatives can be identified for displaced staff sooner.
 - UNPACS is projected to underspend by £0.187m (no movement) based on current placements, this is also an improved position from last year.
 - A projected underspend of £0.350m in Elderly Inpatients due to the completion of the work to reconfigure the Elderly Mental wards, this represents the part-year saving with the full financial benefit being available in 2021-22 (est £0.934m). Staff re-deployment costs have been included in the projection and the underspend may increase if alternatives can be identified for displaced staff sooner.
 - A projected underspend in MH Pharmacy of £0.190m (no movement) due to continued lower substitute prescribing costs.
 - The target for turnover or vacancy savings for the Lead Partnership is held within the Lead Partnership as this is a Pan-Ayrshire target. There is a projected over-recovery of the vacancy savings target of £1.187m in 2020-21, further information on this is included in the table below:

Vacancy Savings Target	(£0.400m)
Projected to March 2021	£1.587m
Over/(Under) Achievement	£1.187m

There were significant vacancy savings delivered during 2019-20 from lead partnership services and these were brought into the financial position during the year as it became clear that services were not going to be able to recruit to all vacancies. The current

	<p>projection to the year-end is informed by the recruitment plans and the confidence in recruitment success and realistic timescales for filling individual vacancies.</p> <p>The main areas contributing to this position are noted below:</p> <ul style="list-style-type: none"> • Adult Community Health services £0.143m • Learning Disability £0.060m • Addictions £0.041m • CAMHS £0.170m • Mental Health Admin £0.280m • Psychiatry £0.488m • Psychology £0.387 • Associate Nurse Director £0.033m
2.5	Children Services & Criminal Justice
	<p>Against the full-year budget of £35.981m there is an overspend of £0.336m (1%) which is a favourable movement of £0.223m. The main variances are:</p> <p>a) Looked After and Accommodated Children are projected to overspend by £0.398m (favourable movement of £0.301m). The main areas within this are noted below:</p> <ul style="list-style-type: none"> • Children's residential placements are projected to overspend by £0.543m (£0.178m favourable movement), as at period 4 there are 17 placements with plans to reduce this by 4 by the end of October and an assumption that there will be no further placements during the year, therefore ending the year with 13 placements. The favourable movement is mainly due to one placement ending sooner than budgeted (£0.126m movement) and another transferring to children's care packages (£0.052m movement). Budget plans for 2020-21 were based on starting the year with 18, reducing to 14 by the end of Q1 and to 10 places by the end of Q2 and for the remainder of the year. Progress with plans to move children from residential placements have been impacted by Covid-19 as there has been an impact on Children's Hearings and this has limited the availability of tenancies. However, despite these delays it is positive that there were no children placed into external residential placement during lock down and the numbers did not increase. Children's services are hopeful to further improve the position as we move through the year as starting the 2021-22 financial year with 13 placements will impact on the savings planned for next year. • Fostering placements are projected to overspend by £0.093m (no movement) based on the budget for 129 places and 133 actual placements since the start of the year. The fostering service is an area we are trying to grow, and a recruitment campaign was undertaken early in the new year to attract more in-house foster carers to limit the ongoing requirement for external foster placements. There are a number of additional fostering placements attributed to Covid-19 which are out with these numbers as the costs have been included on the Covid-19 mobilisation plan. • Kinship placements are projected to underspend by £0.173m on the budget for 359 places and 342 actual placements since the start of the year.
2.6	Turnover/Vacancy Savings

The payroll turnover target has been centralised for 2020-21 as it was noted last year that some service areas have historic targets which cannot be achieved whilst others overachieve, the financial monitoring report was cluttered with over and underspends as a result and a more transparent way to report on progress with the overall achievement of payroll turnover is to manage it centrally. The turnover target for the North Lead Partnership for Mental Health services is detailed within the Lead Partnership information at section 2.4.

The turnover targets and projected achievement for the financial year for Health and Social Care services out with the Lead Partnership is noted below:

	Social Care	Health Services
Vacancy Savings Target	* (£1.957m)	(0.645m)
Projected to March 2021	£1.957m	0.829m
Over/(Under) Achievement	0	0.184m

(*the target for social care services has been increased on a non-recurring basis for 2020-21 only by £0.110m to offset the saving for the roll out of Multi-Disciplinary Teams, as no permanent reductions to the structure can be identified at this time but will be by the service from 2021-22 onwards)

The position in the table above reflects the assumption in the current financial projections. For social care vacancies there have been significant vacancy savings to period 4 due to delays with recruitment and a total of £0.856m has been achieved to date. It is not anticipated that the level of vacancies will continue at this rate to the financial year-end, the full annual target is expected to be achieved on the basis that there will vacancies sustained at around 64% of that level. We may potentially exceed the target, as was the case in previous years, but the likelihood of this will not be known with confidence until services and recruitment re-starts fully over the coming months.

The Health vacancy projection to the year-end is informed by the recruitment plans and confidence in recruitment to posts for the remainder of the year.

The main areas contributing to the health and social care vacancy savings are spread across a wide range of services with vacancy savings being achieved in most areas, the most notable in terms of value being social worker posts (across all services), the Community Mental Health Teams and Allied Health Professionals.

2.7 Savings Progress

a) The approved 2020-21 budget included £3.861m of savings.

RAG Status	Position at Budget Approval £m	Position at Period 4 £m
Red	-	0.274
Amber	2.801	1.887
Green	1.060	1.700
TOTAL	3.861	3.861

b) The main areas to note are:

	<p>i) Red savings of £0.274m relating to reducing LD sleepovers and the review of Adoption Allowances, both of which have been impacted by Covid-19, the delays in these savings have been included in the overall projected outturn position;</p> <p>ii) Whilst all savings remain on the plan to be delivered there are delays with some savings with delays in implementation due to Covid-19, for example the implementation of the Adult Community Support Framework as the introduction of the CM2000 system is on hold as providers are focussing on COVID related service and staffing issues;</p> <p>iii) The confidence with some savings has increased since the budget was set due to the progress made towards the end of 2019-20, for example with freeing up additional capacity for Care at Home services by reducing care home placements.</p> <p>Appendix C provides an overview of the savings plan, this highlights that during 2020-21 it is anticipated that a total of £2.872m of savings will be delivered in-year, with £0.989m of savings potentially delayed or reduced. The delays are due to Covid-19 and have been included in the mobilisation plan return to the Scottish Government, but at this stage they have also been reflected in the overall projected outturn position as there is less confidence that the impact of savings delays will be compensated with additional funding.</p> <p>The Transformation Board is in place to provide oversight and governance to the programme of service change. A focus of the Board is to ensure plans are in place to deliver savings and service change, with a solution focussed approach to bringing programmes back on track. Whilst some of our plans were put on hold due to Covid, the transformation plans will be re-mobilised at pace to ensure we taken any opportunities to join up the re-design services as they come back online. The Transformation Board has re-started in July and there will be a concerted effort to ensure the maximum savings delivery can be achieved in-year, to assist with the current year position and to ensure there is no budget gap rolled forward into 2021-22.</p>
2.8	<p>Budget Changes</p>
	<p>The Integration Scheme states that <i>“either party may increase it’s in year payment to the Integration Joint Board. Neither party may reduce the payment in-year to the Integration Joint Board nor Services managed on a Lead Partnership basis....without the express consent of the Integration Joint Board”</i>.</p> <p>Appendix D highlights the movement in the overall budget position for the partnership following the initial approved budget.</p> <p>Reductions Requiring Approval:</p> <p>The specific reductions the IJB are required to approve are:</p> <ul style="list-style-type: none"> • Prescribing £1.497m – reduction to the prescribing budget to reflect revised base budgets for pharmacists and reparenting of cost centres. • TEC project £0.053m – non-recurring contribution to the pan Ayrshire TEC project <p>It is recommended that the IJB approve the budget reductions outlined above.</p>

	<p>Future Planned Changes:</p> <p>An area due to be transferred in the future are the Douglas Grant and Redburn rehab wards from acute services to the North HSCP. The operational management of these wards has already transferred to the partnership, but the due diligence undertaken on the budget has highlighted a funding shortfall. It has been agreed with NHS Ayrshire and Arran that the financial responsibility will not transfer until balance is found. In the meantime, we are managing services and plans are well progressed to reduce the projected overspend prior to any transfer.</p>
2.9	<p>NHS – Further Developments/Pan Ayrshire Services</p>
	<p><u>Lead Partnerships:</u></p> <p>The IJB outturn position is adjusted to reflect the impact of Lead Partnership services. During 2019-20 agreement was reached with the other two Ayrshire partnerships that in the absence of any service activity information and alternative agreed risk sharing arrangements that the outturn for all Lead Partnership services would be shared across the 3 partnerships on an NRAC basis. This position will be the default position at the start of 2020-21 as the further work taken forward to develop a framework to report the financial position and risk sharing across the 3 partnerships in relation to hosted or lead service arrangements has been delayed by the requirement to focus efforts on the Covid response.</p> <p>The underspend in relation to North Lead Partnership services is not fully attributed to the North IJB as a share has been allocated to East and South partnerships, similarly the impact of the outturn on East and South led services will require to be shared with North. East and South did not report at month 3 and an on-line impact on North was assumed. At month 4 the impact on NAHSCP is a £0.028m overspend (£0.053m underspend for East and £0.081m overspend for South)</p> <p>East HSCP – projected underspend of £0.146m (£0.053m NRAC share for NAHSCP). The main areas of variance are:</p> <ul style="list-style-type: none"> a) Primary Care and Out of Hours Services (Lead Partnership) - there is a projected underspend of £0.085m on the Primary Care Lead Partnership budget. This relates to savings in Primary Care Transformation / Integration offset by a small overspend on Ayrshire Urgent Care Services and Contracting and Support Services. In previous financial years, GP practices in difficulty have required additional funding to ensure sustainability and continuity of patient care. There are presently no practices in difficulty however this remains an extremely fluid area of the budget and continues to be closely monitored. b) Prison and Police Healthcare (Lead Partnership) - £0.054m projected underspend relates to anticipated part-year savings from vacant posts within the Service, partially offset by recharged costs in respect of temporary management arrangements. <p>South HSCP – projected overspend of £0.221m (£0.081m NRAC share for NAHSCP). The overspend is mainly due to an overspend in the community store.</p> <p><u>Set Aside:</u></p>

	<p>The budget for set aside resources for 2020-21 is assumed to be in line with the amount for 2019-20 (£30.094m) inflated by the 3% baseline uplift, this value was used in the absence of any updated information on the share of resources and is £30.997m.</p> <p>At the time of setting the IJB budget it was noted that this may require to be updated following the further work being undertaken by the Ayrshire Finance Leads to establish the baseline resources for each partnership and how this compares to the Fair Share of resources. It was anticipated that 2020-21 would be used as a shadow year for these arrangements, however this work has been delayed due to the Covid-19 response. A further update will be provided to IJBs as this work progresses.</p> <p>The acute directorate, which includes the areas covered by the set aside budget, is overspent by £2.1m after 4 months. £1.8 million is attributable to COVID-19.</p> <p>In the early stages of the pandemic the combination of additional social care provision and lower hospital attendance largely removed bed pressure at Crosshouse. In recent weeks however there has been an increase in demand.</p> <p>The Health Board and the IJBs continue to work together to ensure patients are looked after in the most suitable environment.</p>
	COVID-19 – FINANCE MOBILISATION PLAN IMPACT
2.10	Summary of position
	<p>The IJB were provided with a report on 16 July 2020 which highlighted the potential financial impact of the Covid-19 response and the significant financial risk to the IJB. From the outset of the pandemic the HSCP acted very swiftly to respond and developed a mobilisation plan detailing the additional activities to support our response, alongside the estimated financial impact. Financial returns have been submitted to the Scottish Government on a regular basis, on the premise that any additional costs aligned to mobilisation plans would be fully funded. There is a risk that if the full cost of the Covid-19 response is not funded that the IJB may require to recover any overspend in-year.</p> <p>The IJB were updated in August outlining the up to date cost estimates, the financial year-end projections and any potential funding gap based on scenarios re Covid-19 funding. The IJB also need to consider any action required to recover the financial position in-year.</p>
2.11	Mobilisation Plan Costs
	<p>The cost return for North Ayrshire HSCP submitted on 22 June 2020 estimated additional costs of £7.255m for the duration of 2020-21. The costs remain estimates as the situation continually evolves and there have been several iterations of the financial plan. The most recent mobilisation plan cost submission submitted on 14 August 2020 estimates the costs to be £7.211m to March 2021.</p> <p>The majority of the additional costs for the HSCP relate to the provision of social care services and the most significant areas are PPE, additional staff costs for staff absence and student nurses, loss of income due to closed services, additional care home placements, payments to commissioned care providers to ensure future sustainability and the impact on our approved savings programme.</p>

The mobilisation plan submission is included as Appendix E. The main areas of cost together with the change in estimates from June are summarised below:

Service Area	Previous (22 June 2020) £m	Latest (14 Aug 2020) £m	Increase/(Decrease) £m
Payments to Providers	1.648	1.655	0.007
Personal Protective Equipment (PPE)	1.628	2.052	0.424
Savings Delays	1.508	1.115	-0.393
Nursing – Students and Bank Staff	0.848	0.733	-0.115
Care at Home Capacity	0.669	0.416	-0.253
Loss of Income	0.442	0.442	0.000
Staff Cover	0.425	0.425	0.000
Care Home Beds – Delayed Discharges	0.396	0.396	0.000
Fostering Placements	0.000	0.196	0.196
Other costs	0.221	0.311	0.090
Offsetting cost reductions	-0.530	-0.530	0.000
TOTAL	7.255	7.211	-0.044

Further information on the elements of the plan are included in the IJB report from 16 July 2020. There is little movement in the overall estimated cost but there are some significant movements for individual cost elements, the main areas where estimates have been updated are noted below:

- Payments to providers have been re-phased to reflect the extension of the principles to the end of September and the cessation of support thereafter, this is currently being reviewed by COSLA and the Scottish Government to determine the best approach to taper down support and also the model of support for ongoing increases in costs beyond the end of September;
- PPE returns have been updated to include the continuation of the current purchasing arrangements that are currently in place for social care PPE, i.e. being that social care providers (including the HSCP) primarily source and procure their own supplies and use the cluster PPE hubs as a top up and emergency stock. A business case is being developed by the Scottish Government for approval at the end of August, this will determine the future supply of PPE, a change in approach, for example with SG centrally sourced and supplied PPE will change the estimated future costs;
- Savings delays have been re-visited based on the P3 position with a more optimistic view of deliverable savings in the year;
- Nursing – Students and Bank staff have been reduced in line with updated cost estimated supplied by NHS finance, the previous estimate was based on limited information provided by NES on the posts, the position has been clarified in relation to the individual students;
- Care at Home Capacity has been reduced following analysis of the period 3 position, the original estimate was a 5% increase in capacity, in reality the increase has been less as the 2020-21 budget already allowed for an element of growth within the service, the current estimates include maintaining the current capacity levels until March 2021 and for an additional 20 planned posts;
- Fostering placements have been added to the updated plan, there are 20 additional short term placements which have been necessary due to Covid-19, these have been facilitated by the Scottish Government permitting foster carers to look after 3 or more children and it has been difficult to reduce these

	placements with the impact on Children's Hearings. The updated estimates assume half of these placements will remain at the end of September and all will be removed by December.
2.12	Covid-19 Funding Position
	<p>At the outset of the pandemic there was an assurance that subject to any additional expenditure being fully aligned to local mobilisation plans, including the IJB responses, reasonable funding requirements will be supported. This was on the basis that a process would be developed for these to be accurately and immediately recorded and shared with the Scottish Government. The basis of this reporting was drawn up and agreed with COSLA and Health and Social Care Partnerships.</p> <p>On 12 May 2020 we received confirmation of initial funding of £50 million, particularly to support immediate challenges in the social care sector. This interim funding was released to support sustainability across the sector and the ongoing provision of social care, while further work is undertaken to provide the necessary assurance for further allocations of funding to support additional costs. The share of this allocation is £1.339m for North Ayrshire.</p> <p>Following on from this on 3 August it was confirmed that in recognition of challenges for Local Authorities, IJBs and social care providers, and commensurate with data submitted through the local mobilisation plan financial returns, the Scottish Government would provide an additional tranche of funding up to £50 million to meet costs. The full funding will be provided on the basis of appropriate evidence and assurance in respect of actual expenditure and will continue to be considered within the context of the overall package of financial support. On 10 August it was advised that £25m of this funding would be released immediately, the North Ayrshire share is £0.669m and has been allocated on an NRAC/GAE basis in line with the original £50m. Following submission of cash flow information £8m of the remaining up to £25million was allocated on 26th August of which £1.5m was allocated to North IJB. The remaining £17m has not yet been allocated and the distribution of this funding will be reliant on additional information being provided to the Scottish Government to evidence the funding requirement.</p> <p>To date this is the total funding received to date, i.e. £3.508m towards the social care response. No funding has been allocated for the Health delivered services, the NHS Boards were required to submit detailed quarter 1 returns to the Scottish Government on 14 August and these will inform an allocation at the start of October, this will include the allocation to IJBs for health services.</p> <p>Whilst the allocations of funding for social care are welcomed to support cash flow for Local Government and provides some assurance that funding will be released, this is clearly not sufficient to fund all our highlighted pressures and there remains a significant gap. The Scottish Government are considering the approach to a further funding allocation and we expect to be notified of the outcome early in October, for both Health and Social Care allocations.</p>
2.13	Covid – Financial Risk
	<p>There are a number of financial risks related to the Covid-19 response for North Ayrshire IJB, risks include:</p> <ul style="list-style-type: none"> • Delays in funding being confirmed result in the IJB considering balancing the budget based on funding assumptions in the absence of a confirmed funding allocation;

- Scottish Government funding is not sufficient to fully fund the response and there is a shortfall in funding when allocated;
- Risk that financial position cannot be recovered in-year and the IJB overspend and add to the debt owed to North Ayrshire Council;
- If insufficient funding is provided an exercise will be required at a later stage to re-allocate costs and funding to the 3 IJB areas for Lead Partnership services, this could lead to greater costs being aligned to the North IJB particularly for any shortfall in funding for Primary Care including Covid Assessment Hubs;
- Further uncertainty of funding for pressures which may continue beyond 2020-21, including for example PPE;
- Currently provider Sustainability Payment Principles are due to cease at the end of September with tapering down of support, some elements may be extended beyond that time, there is an ongoing responsibility for HSCPs to ensure the sustainability of the social care sector;
- Financial position from 2021-22 onwards and the impact on public sector funding and the future funding of Health and Social Care services.

The table below summarises the overall estimated Covid-19 costs for the North HSCP alongside the funding received to date to highlight the potential gap:

ESTIMATED COVID COSTS	Social Care £m	Health £m	Total £m
Additional Spend	5.414	0.682	6.096
Delayed Savings	1.115	0	1.115
Total Costs	6.529	0.682	7.211
Covid Funding - to date - £83m social care	(3.508)	0	(3.508)
Up to additional £17m	tbc	0	tbc
Estimated Net Spend (Exc Savings)	1.906	0.682	2.588
Actual Spend to 14 August (exc savings delay)	2.937	0.457	3.394
YTD Net Spend (Exc Savings)	(0.571)	0.457	(0.114)

- The savings delays impact estimated at £1.115m has been removed from the above net position as these delays have already been factored into the period 4 position, this is a prudent approach on the basis that despite this financial impact being highlighted on mobilisation plan returns there is no agreement in principle re savings delays being financially compensated for;
- The estimated additional costs to March 2021 compared to the funding received to date leaves an estimated balance of £2.588m for which funding has not yet been received or allocated;
- The year to date spend to 14 August is noted in the table and compared to the funding received to date gives a surplus of £0.114m

The funding received to date is not the final allocation of funding for IJBs for the Health and Social Care response to Covid-19, we fully expect to receive an allocation for Health services towards the end of September and the initial allocation of up to £100m for social care services has been allocated in response to cash flow issues faced by some Local Authorities and also to provide confidence that funding will flow through the system to allow for sustainability payments to be made to commissioned social care providers.

To two scenarios below illustrate the estimated worst-case scenarios where funding may not be sufficient to cover the estimated costs:

	Total Potential Gap £m
<u>Scenario 1</u> £100m NRAC/GAE Social Care & Health Fully Funded	1.906

or:

<u>Scenario 2</u> Policy Areas Fully Funded*	1.311
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*policy areas/decisions including PPE, Sustainability Payments, delayed discharge care home beds, Student Nurses

The estimated worst-case scenario funding shortfall is estimated to be between £1.3m and £1.9m based on the two scenarios above. The below illustrates the ways in which this financial risk can be mitigated:



Given the scale of the financial risk at this stage in the year it is not recommended that the IJB consider a formal financial recovery plan at this time.

This recommendation is on the basis that:

- There is increasing confidence that additional costs will be funded based on the recently received and future expected funding allocations;
- It is likely that any gap will be clearer towards the start of October when NHS Board funding allocations are expected to be confirmed;
- The potential worst-case scenario in terms of any funding shortfall would be in the range of £1.3m and £1.9m, if this gap materialises there are areas we could explore to mitigate later in the year as part of a recovery plan if required;
- The most significant area of additional Covid cost is the purchase of PPE for social care, the model for the purchase and supply is currently under review

	<p>and any options to change from the current model are likely to reduce the future estimated costs;</p> <ul style="list-style-type: none"> The period 4 position projects a balanced financial position (excluding Covid) and this does not include any assumption re the £1.5m held by the Council towards the IJB debt, this position assumes the debt repayment is made as planned, this position also incorporates estimated delays with savings delivery. <p>The financial position will continue to be reported to the IJB at each meeting, these reports will outline the monthly financial projections and the updated position in relation to estimates for Covid costs. This will include the ongoing consideration of whether a Financial Recovery Plan may be required in the future.</p>
3.	PROPOSALS
3.1	<u>Anticipated Outcomes</u>
	<p>Continuing to closely monitor the financial position will allow the IJB to take corrective action where required to ensure the partnership can deliver services in 2020-21 from within the available resource, thereby limiting the financial risk the funding partners, i.e. NAC and NHS AA.</p> <p>The estimated costs and funding in relation to the Covid-19 response also require to be closely monitored to ensure that the IJB can plan for the impact of this and to ensure that the IJB is in the position to re-claim funding to compensate for the additional costs.</p>
3.2	<u>Measuring Impact</u>
	Ongoing updates to the financial position will be reported to the IJB throughout 2020-21.
4.	IMPLICATIONS
Financial:	<p>The financial implications are as outlined in the report.</p> <p>Against the full-year budget of £252.768m there is a projected overspend of £0.066m (0.03%). The report outlines the main variances for individual services.</p> <p>This is an early indication of the projected outturn at month 4, there are a number of assumptions underpinning the projections which could change as we progress through the year. We will continue to work with services to ensure the most accurate and reliable position is reported.</p> <p>One of the main areas of risk is the additional costs related to the Covid-19 response and these are detailed in the report together with an updated position in relation to funding.</p>
Human Resources:	None
Legal:	None
Equality:	None
Children and Young People	None
Environmental & Sustainability:	None

Key Priorities:	None
Risk Implications:	Within the projected outturn there are various over and underspends including the non-achievement of savings. The greatest financial risk for 2020-21 is the additional costs in relation to Covid-19.
Community Benefits:	None

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

4.	CONSULTATION
4.1	<p>This report has been produced in consultation with relevant budget holders and the Partnership Senior Management Team.</p> <p>The IJB financial monitoring report is shared with the NHS Ayrshire and Arran and North Ayrshire Council Head of Finance after the report has been finalised for the IJB.</p>
5.	CONCLUSION
5.1	<p>It is recommended that the IJB:</p> <p>(a) notes the overall integrated financial performance report for the financial year 2020-21 and the overall projected year-end overspend of £0.066m at period 4;</p> <p>(b) notes the estimated costs of the Covid mobilisation plan of £7.3m, including savings delays, and the associated funding received to date;</p> <p>(c) note the financial risks for 2020-21, including the impact of Covid 19, and that there is no recommendation at this time to implement a formal Financial Recovery Plan for the IJB;</p> <p>(d) approve the budget changes outlined at section 2.8.</p>

For more information please contact:

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2020-21 Budget Monitoring Report–Objective Summary as at 31st July 2020

Appendix A

Partnership Budget - Objective Summary	2020/21 Budget									Over/ (Under) Spend Variance at Period 3 £'000	Movement in projected variance from Period 3 £'000
	Council			Health			TOTAL				
	Budget	Outturn	Over/ (Under) Spend Variance £'000	Budget	Outturn	Over/ (Under) Spend Variance £'000	Budget	Outturn	Over/ (Under) Spend Variance £'000		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
COMMUNITY CARE AND HEALTH	56,037	54,674	(1,363)	13,720	13,899	179	69,757	68,573	(1,184)	(1,337)	153
: Locality Services	23,317	22,669	(648)	4,755	4,799	44	28,072	27,468	(604)	(1,098)	494
: Community Care Service Delivery	28,600	28,592	(8)	0	0	0	28,600	28,592	(8)	14	(22)
: Rehabilitation and Reablement	1,982	1,694	(288)	1,922	1,910	(12)	3,904	3,604	(300)	(282)	(18)
: Long Term Conditions	1,776	1,345	(431)	4,949	5,100	151	6,725	6,445	(280)	35	(315)
: Integrated Island Services	362	374	12	2,094	2,090	(4)	2,456	2,464	8	(6)	14
MENTAL HEALTH SERVICES	24,843	26,465	1,622	52,481	51,061	(1,420)	77,324	77,526	202	(356)	558
: Learning Disabilities	18,643	20,470	1,827	448	448	0	19,091	20,918	1,827	1,623	204
: Community Mental Health	4,726	4,521	(205)	1,685	1,636	(49)	6,411	6,157	(254)	(208)	(46)
: Addictions	1,474	1,474	0	1,351	1,341	(10)	2,825	2,815	(10)	25	(35)
: Lead Partnership Mental Health NHS Area Wide	0	0	0	48,997	47,636	(1,361)	48,997	47,636	(1,361)	(1,796)	435
CHILDREN & JUSTICE SERVICES	32,136	32,472	336	3,845	3,845	0	35,981	36,317	336	559	(223)
: Irvine, Kilwinning and Three Towns	3,197	3,136	(61)	0	0	0	3,197	3,136	(61)	(45)	(16)
: Garnock Valley, North Coast and Arran	1,256	1,176	(80)	0	0	0	1,256	1,176	(80)	(76)	(4)
: Intervention Services	2,098	2,088	(10)	315	315	0	2,413	2,403	(10)	(10)	0
: Looked After and Accommodated Children	17,680	18,078	398	0	0	0	17,680	18,078	398	699	(301)
: Quality Improvement	4,310	4,393	83	0	0	0	4,310	4,393	83	(6)	89
: Public Protection	628	633	5	0	0	0	628	633	5	(2)	7
: Justice Services	2,506	2,506	0	0	0	0	2,506	2,506	0	(2)	2
: Universal Early Years	461	462	1	3,120	3,120	0	3,581	3,582	1	1	0
: Lead Partnership NHS Children's Services	0	0	0	410	410	0	410	410	0	0	0
PRIMARY CARE	0	0	0	51,024	51,024	0	51,024	51,024	0	0	0
ALLIED HEALTH PROFESSIONALS				5,498	5,498	0	5,498	5,498	0	0	0
MANAGEMENT AND SUPPORT COSTS	8,012	8,061	49	4,160	3,935	(225)	12,172	11,996	(176)	9	(185)
CHANGE PROGRAMME	1	1	0	1,011	1,011	0	1,012	1,012	0	17	(17)
OUTTURN ON A MANAGED BASIS	121,029	121,673	644	131,739	130,273	(1,466)	252,768	251,946	(822)	(1,108)	286
Return Hosted Over/Underspends East	0	0	0	0	441	441	0	441	441	582	(141)
Return Hosted Over/Underspends South	0	0	0	0	419	419	0	419	419	553	(134)
Receive Hosted Over/Underspends South	0	0	0	0	81	81	0	81	81	0	81
Receive Hosted Over/Underspends East	0	0	0	0	(53)	(53)	0	(53)	(53)	0	(53)
OUTTURN ON AN IJB BASIS	121,029	121,673	644	131,739	131,161	(578)	252,768	252,834	66	27	39

2020-21 Budget Monitoring Report – Detailed Variance Analysis

Appendix B

	Budget £000's	Outturn £000's	Over/ (Under) Spend Variance £000's	
COMMUNITY CARE AND HEALTH	69,757	68,573	(1,184)	
Locality Services	28,072	27,468	(604)	Older People care homes inc respite - underspend of £1.024m based on 734 placements (694 plus 40 new funding) and including Income from Charging Orders - under recovery of £0.078m Independent Living Services : * Direct Payment packages- overspend of £0.131 on 62 packages. * Residential Packages - overspend of £0.058m based on 33 packages.
Community Care Service Delivery	28,600	28,592	(8)	Outwith the threshold for reporting
Rehabilitation and Reablement	3,904	3,604	(300)	Aids and Adaptations - underspend of £0.300m related to the reduced number of OT assessments taking place during COVID 19.
Long Term Conditions	6,725	6,445	(280)	Carers Centre - projected underspend of £441k, budget vired in 19/20 of £293k to OP Reprise returned to increase projected underspend Anam Cara - projected overspend in Employee costs of £25k due to pilot of temporary post with a view to longer term savings in bank & casual hours
Integrated Island Services	2,456	2,464	8	Outwith the threshold for reporting

	Budget £000's	Outturn £000's	Over/ (Under) Spend Variance £000's	
MENTAL HEALTH SERVICES	77,324	77,526	201	
Learning Disabilities	19,091	20,918	1,827	Residential Packages- overspend of £0.367m based on 41 current packages, including future transfers to Trindlemoss. Community Packages (inc direct payments) - overspend of £1.84m based on 337 current packages. The direct payments projection is based on 41 current packages. Covid 19 community service reductions were approx. £191k for first qtr and a further £97k reduction for Day services not delivered
Community Mental Health	6,411	6,157	(254)	Employee costs - on line with budget Community(inc direct payments) and Residential Packages - underspend of £0.202m based on 92 community packages, 31 Direct Payments and 29 residential placements.
Addictions	2,825	2,815	(10)	Outwith the threshold for reporting
Lead Partnership (MHS)	48,997	47,636	(1,361)	Adult Community - underspend of £0.143m due to vacancies. Adult Inpatients- overspend of £0.600m due to a delay in closing the Lochranza wards and revised assumptions on redeployed staff. UNPACs - underspend of £0.187m based on current placements and assumed service level agreement costs. Elderly Inpatients - underspend of £0.300m which includes the £0.934m of unallocated funding following the elderly MH review. Learning Disability - underspend of £0.060m due to vacancies. CAMHS - underspend of £0.200m due to vacancies. MH Admin - underspend of £0.300m due to vacancies. Psychiatry - underspend of £0.508m due to vacancies. MH Pharmacy - underspend of £0.190m mainly within substitute prescribing. Psychology- underspend of £0.447m due to vacancies.

	Budget £000's	Outturn £000's	Over/ (Under) Spend Variance £000's	
CHILDREN'S AND JUSTICE SERVICES	35,981	36,317	336	
Irvine, Kilwinning and Three Towns	3,197	3,136	(61)	Outwith the threshold for reporting
Garnock Valley, North Coast and Arran	1,256	1,176	(80)	Employee Costs - Projecting £0.054m underspend due to a substantive post being vacant . This will be offsetting an overspend in employee Costs within Quality Improvement. Transport costs - Projected underspend of 0.010m due a reduction in spend in Staff Mileage costs, assumes a 65% spend of all mileage budgets across the service.
Intervention Services	2,413	2,403	(10)	Outwith the threshold for reporting
Looked After and Accommodated Children	17,680	18,078	398	Employee Costs - Projected overspend of £0.029m which is due to additional hours/overtime hours being worked within the Children's Houses Looked After Children placements - Projected underspend of £0.073m, favourable movement of £163k which is made up of the following:- Kinship - projected underspend of £0.172m. Budget for 359 placements, currently 342 placement but projecting 350 placements by the year end. (Note £81k pressure money allocated in P4) Adoption - projected overspend of £0.033m. Budget for 69 placements, currently 71 placements. Fostering - projected overspend of £0.93m. Budget for 129 placements, currently 133 placements and projecting 133 placements by the year end. Fostering Xtra - projected overspend of £0.037m. Budget for 32 placements, currently 34 placements but projecting 34 placements by the year end. Fostering Respite - Projected underspend of £0.050m which is due to respite services not taking place due to COVID Private fostering - projected underspend of £0.018m. Budget for 10 placements, currently 10 placements. IMPACCT carers - projected online Budget for 2 placements, currently 2 placements. Residential School placements - Projected overspend £0.543m, current number of placements is 17, assumption that 3 will end in September and 1 ending in October and no further new admissions resulting in 13 placements at the year end. No secure placements.
Quality Improvement	4,310	4,393	83	Employee Costs - Projected Overspend £67k, Note £60k overspend relates to employee acting up to Senior Manager which will being offset with her vacant post within the Irvine Locality. Additional costs CSW payments, £30k also being paid to employee for ASN School, these additional costs are being offset with vacant posts in other teams. - No Movement Transport costs - Projected underspend of £25k due a reduction in spend in Staff Mileage costs, assumes a 65% spend of all mileage budgets across the service. Favourable movement £1k due to previously % reduction in expected mileage spend. Community Packages - Projected underspend of £17k, adverse movement of £8.8k 110 Community Packages on establishment list. Direct Payments - Projected Underspend £39k, favourable movement of £9k which is due to increase % clawback from 8% to 10%. Current number of packages in place is 42 and projecting an increase of further 5 packages until end of FY, savings of around £36k made due to temporary decreases in packages due to PA being furloughed.
Public Protection	628	633	5	Outwith the threshold for reporting
Justice Services	2,506	2,506	0	Outwith the threshold for reporting
Universal Early Years	3,581	3,582	1	Outwith the threshold for reporting
: Lead Partnership NHS Children's Services	410	410	0	Outwith the threshold for reporting
PRIMARY CARE	51,024	51,024	0	Outwith the threshold for reporting
ALLIED HEALTH PROFESSIONALS	5,498	5,498	0	Outwith the threshold for reporting
MANAGEMENT AND SUPPORT	12,172	11,996	(176)	Over recovery of payroll turnover on health services.
CHANGE PROGRAMME & CHALLENGE FUND	1,012	1,012	0	Outwith the threshold for reporting
TOTAL	252,768	251,946	(822)	

Threshold for reporting is + or - £50,000

2020-21 Savings Tracker

Appendix C

Savings reference number	Description	Deliverability Status at budget setting	Approved Saving 2020/21 £m	Deliverability Status Month 4	Saving Delivered @ Month 4 £m	Projected to Deliver during Year £m	Projected Shortfall £m	Comment
Children, Families & Criminal Justice								
1	Children and Young People - External Residential Placements	Amber	0.583	Amber	-	0.284	0.299	Currently projecting an overspend. Some plans to move children have been impacted by COVID. Expect to have 13 places at the year-end when the original plan was to have 10 places, will impact on savings for 2021-22.
2	Adoption Allowances	Amber	0.074	Red	-	-	0.074	Current projected overspend but outcome of the adoption review to be implemented
3	Children's Services - Early Intervention and Prevention	Amber	0.050	Green	0.050	-	-	Fully achieved, met through efficiencies across Children's services
4	Fostering - Reduce external placements	Green	0.036	Amber	-	-	0.036	Not been able to reduce placements, may progress later in the year.
5	Community Support - Children's Care Packages	Amber	0.008	Green	0.008	-	-	Tender delayed, saving can be met through budget underspend for 2020-21.
Mental Health and LD Services								
6	LD - Reduction to Sleepover Provision	Amber	0.200	Red	-	-	0.200	Cluster sleepover models centred around core supported accommodation are being considered but will be delayed. The supported accommodation build timescales have slipped due to COVID.
7	Learning Disability Day Services	Amber	0.279	Amber	-	0.050	0.229	The provision of day care is being reviewed to ensure it can be delivered safely. This will include a review of the staffing, a new staffing structure has been planned which will deliver the full year saving but will be delayed until January 2021.
8	Trindlemoss	Green	0.150	Amber	0.150	-	-	Fully achieved but final tenancies to be decided.
9	Mental Health - Flexible Intervention Service	Green	0.008	Green	0.008	-	-	Fully achieved, slightly over-delivered (£10k)
Health and Community Care								
10	Roll out of multidisciplinary teams - Community Care and Health	Amber	0.110	Green	-	0.110	-	For 2020-21 only this saving has been added to the vacancy savings target to be met non-recurringly. There are a number of vacancies across Community Care and Health but at this stage the service can not identify posts to be removed on a permanent basis, will be formalised and removed from establishment from 2021-22.
11	Carers Act Funding - Respite in Care Homes	Green	0.273	Green	0.273	-	-	Fully achieved
12	Care at Home - Reablement Investment	Amber	0.300	Green	-	0.300	-	Expect to fully achieve, level of service activity within budget.
13	Care at Home - Efficiency and Capacity Improvement	Amber	0.135	Green	-	0.135	-	Expect to fully achieve, level of service activity within budget.
14	Day Centres - Older People	Amber	0.038	Amber	-	-	0.038	Day centres are currently closed and staff have been re-deployed, will look for opportunities to release savings when the services re-open.
15	Charging Policy - Montrose House	Amber	0.050	Amber	-	-	0.050	New charging policy in place, achieving the saving has been impacted by movement in care home placements.
Whole System								
16	Adults - New Supported Accommodation Models	Amber	0.063	Amber	-	0.025	0.038	Project has slipped. Expected completion date is early 2021. Saving was based on 5mths, Assume only 2mths are achieved
17	Adult Community Support - Commissioning of Services	Amber	0.638	Amber	-	0.512	0.126	Implementation of CM2000 was delayed due to Covid, expect to bring system on line for Adult providers from the start of October.
18	Charging Policy - Inflationary Increase	Green	0.050	Amber	-	0.025	0.025	Charging has been suspended during COVID 19, with the exception of care homes and community alarms, expect to bring back on line in September.
TOTAL SOCIAL CARE SAVINGS			3.045		0.489	1.441	1.115	

Health:

Savings reference number	Description	Deliverability Status at budget setting	Approved Saving 2020/21 £m	Deliverability Status Month 4	Saving Delivered @ Month 4 £m	Projected to Deliver during Year £m	Projected Shortfall £m	Comment
19	Trindlemoss	Green	0.120	Green	0.120	-	-	Fully achieved
20	Packages of care	Green	0.100	Green	0.100	-	-	Fully achieved
21	Elderly Mental Health inpatients (lead partnership)	Green	0.216	Green	0.216	-	-	Fully achieved
22	MH Payroll Turnover (lead partnership)	Green	0.100	Green	0.100	-	-	Fully achieved
23	North Payroll Turnover	Green	0.280	Green	0.280	-	-	Fully achieved

TOTAL HEALTH SAVINGS	0.816	0.816	0.000	0
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TOTAL NORTH HSCP SAVINGS	3.861	1.305	1.441	1.115
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2020-21 Budget Reconciliation

Appendix D

COUNCIL	Period	Permanent or Temporary	£
Initial Approved Budget			96,963
Rounding error			4
Error in budget			1,299
Resource Transfer			22,769
WAN Circuits Budget Transfer - Kyle Road - New data Connection (Store Costs)	1	P	(1)
British Sign Language funding transferred to Democratic Services	3	P	(5)
Budget Reported at Month 4			121,029
HEALTH	Period	Permanent or Temporary	£
Initial Approved Budget			149,830
Resource Transfer			(22,769)
Adjustment to base budget	1	P	(90)
2019/20 Month 10-12 budget adjustments	1	P	3,999
Non recurring Funding 19/20	3	T	(298)
Full Year effect of Part Year Reductions	3	P	(54)
Additional COVID funding	3	T	1,339
Additional living wage funding	3	P	186
V1P Funding 20/21	3	T	105
Primary Care Prescribing - Uplift	3	P	2,060
Primary Care Prescribing - CRES	3	P	(756)
Outcomes Framework - Breast Feeding	3	T	33
South HSCP V1P contribution	3	T	20
ANP Allocation - MIN	3	T	20
Training Grade Funding	3	P	49
Funding transfer to Acute (Medical Records)	3	T	(33)
Public Health Outcomes Bundle	3	T	235
Specialist Pharmacist in Substance Misuse	3	T	12
Prescribing Reduction - COVID	3	T	(540)
Lochranza Discharges to South HSCP	3	P	(170)
Prescribing Reduction	4	P	(1,497)
Training Grade Funding	4	T	36
TEC Contribution	4	T	(53)
Admin posts from South HSCP	4	P	54
Uplift Adjustment	4	P	21
Budget Reported at Month 4			131,739
COMBINED BUDGET			252,768

COVID-19 Local Mobilisation Plan- Financial Plan- H&SCP

Name of Body	North Ayrshire HSCP
Finance Contact:	Caroline Cameron, Chief
Date of last update	11/08/2020

Delayed Discharge Reduction- Assumptions	Supporting Narrative
	32 placements from March to date where funding accelerated or agreed to reduce DD in hospital and expediate discharge, further DD in hospital but not all will require care home placement
Delayed Discharge Reduction- Additional Care Home Beds	
Delayed Discharge Reduction- other measures	Anam Cara Respite in-house respite facility being used temporarily for step down

H&SCP Costs	Revenue												Revenue	Capital	Body incurring cost (NHS or LA)	Supporting Narrative
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	2020/21	2020/21		
Delayed Discharge Reduction- Additional Care Home Beds	82,102	78,564	78,564	78,564	78,564								396,358		LA	Only requested funding to August on the basis that interim funding is to facilitate discharge and HSCP would have to fund placements in the longer term. This is to fund 32 specific placements, not assuming there will be additional funding for any new discharges to maintain DD performance.
Delayed Discharge Reduction- other measures	5,453	4,362	4,362	4,362	4,362	4,362							27,263		LA	Anam Cara Respite facility being used temporarily for step down - cost is only in relation to lost income from respite charging, existing staff group delivering care
Delayed Discharge Reduction- other measures	60,151												60,151		LA	Adaptations and equipment purchased to get social care surge sites ready for use, would likely to be further costs if sites are required to be brought into use in the future.
Personal protection equipment	259,469	263,477	249,157	142,248	142,248	142,248	142,248	142,248	142,248	142,248	142,248	142,248	2,052,335		NHS/LA	Sourcing majority of PPE for social care locally. Currently sourcing about 85%-95% (range depending on items) of social care PPE supply by HSCP with the rest coming from NSS top up supply. Orders placed totalling £912k as at 18th June. Assumption that from October onwards (linked to MoU for PPE Hub) NSS supply will potentially increase to provide 50% of requirement, however there remains a risk that costs will continue to rise and this depends on arrangement for national distribution.
Deep cleans		224	971										1,195		NHS	
Estates & Facilities cost		4,790	3,549										8,339		NHS	
Additional staff Overtime and Enhancements	70,596	43,682	47,882	50,000	50,000	50,000	25,000	25,000	25,000	12,500	12,500	12,500	424,660		LA	Cost of additional staff hours to cover absence, mainly in Care at Home Services and residential Children's Houses
Additional temporary staff spend - Student Nurses & AHP		227,159	142,067	142,067	142,067	79,704							733,063		NHS	Actual spend to June for student nurses and other nursing and AHP additional hours, from July onwards based on student costs plus £50k estimate of ongoing additional bank hours.
Additional temporary staff spend - Health and Support Care Workers			40,958										40,958		NHS	
Additional costs for externally provided services	220,798	278,694	314,548	264,036	264,036	188,268	25,000	25,000	25,000	25,000	25,000	-	1,655,380			Provision per month for additional payments to providers primarily for PPE and sickness absence, position statement shared with providers in line with COSLA commissioning guidance. Additional provision for occupancy payments to care homes from April to September and assuming tapered reduction in Sept. Included provision for 5% increase in costs for community support services (care at home and adults) from April to September, not included at 25% as not seen requests at that level, this may increase as sickness policy is implemented. Included small provision for support after Sept with PPE and infection control costs.
Additional FHS Payments- GP Practices	13,527	6,203	7,000	7,000	7,000								40,730		NHS	Additional GP sessions for Arran for the hospital and to support local team in co-ordinating planning and response
Loss of income	88,500	88,500	88,500	88,500	88,500								442,500		LA	Ceased provision of day services and respite, also suspended charges for community supports on basis of rapid changes to care, capacity to ensure accurate financially assessed charges and also financial hardship.
Additional Travel Costs		1,304	4,553										5,857			
IT & Telephony Costs		937											937			
Equipment & Sundries		75,584											75,584		NHS/LA	Thermometers moved here from PPE
Children and Family Services	6,952	12,166	20,856	34,760	34,760	34,760	17,380	17,380	17,380				196,394			Additional Fostering Placements, 20 increased placements from April to now which are Covid related temporary placements, delay in children's hearings and housing has led to a delay in moving children on from foster care. Cost of 20 placements as they came on line from April, assume 10 will leave care by Sept and a further 10 between October and December.
Other- Security Costs PPE Store	8,000	8,000	8,000	8,000	8,000	8,000							48,000		LA	
Other- Additional Care at Home Capacity	38,845	38,845	38,845	38,845	38,845	31,649	31,649	31,649	31,649	31,649	31,649	31,649	415,768		LA	Additional costs for in-house service to ensure service can facilitate hospital discharge and put in place care packages despite operating at high absence levels. Demands for this service have increased with more individuals and families choosing to be cared for at home.
Offsetting cost reductions - HSCP	(108,007)	(108,007)	(108,007)	(68,583)	(68,583)	(68,583)							(529,770)		NHS/LA	
Total	746,386	1,024,484	941,805	789,799	789,799	470,408	241,277	241,277	241,277	211,397	211,397	186,397	6,095,703	-		
														6,095,703		
Expected underachievement of savings (HSCP)	139,375	139,375	139,375	139,375	139,375	139,375	46,458	46,458	46,458	46,458	46,458	46,458	1,115,000		NHS/LA	
Total	885,761	1,163,859	1,081,180	929,174	929,174	609,783	287,735	287,735	287,735	257,855	257,855	232,855	7,210,703	-		
														7,210,703		

Cash Flow Analysis	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Local Authority- Actual Spend	535,748	831,861	1,050,255	858,028	358,372							
Local Authority- Accrual	904,830	970,158	928,998	787,599	787,599	537,571	287,735	287,735	287,735	257,855	257,855	232,855

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit and Scrutiny Committee

Title: **UK withdrawal from the European Union (Brexit)
Update report**

Purpose: To provide an update on the current position regarding the UK's withdrawal from the European Union on 31 December 2020.

Recommendation: It is recommended that the Committee note (a) the current position in respect of the UK's withdrawal from the European Union; and (b) proposals to step-up the Council's EU Preparedness Group.

1. Executive Summary

- 1.1 This report provides an update on the UK's withdrawal from the European Union (Brexit).

2. Background

- 2.1 Following the EU Referendum on 23 June 2016, the UK submitted notification of its intention to withdraw from the EU, in accordance with Article 50 of the Treaty on European Union, on 29 March 2017. In April 2019 an extension to Article 50 was agreed until 31 October 2019.
- 2.2 Following ratification of the Withdrawal Agreement by both the EU and the UK Government in October 2019, the UK withdrew from the European Union on 31 January of 2020. The UK did this by way of the EU (Withdrawal Agreement) Act 2020. This Act also sets in UK law that the present Transition Period must end on 31 December 2020. Until then, while the UK is no longer a Member State, the EU budget, EU law and rules on areas such state aid and freedom of movement, continue to be binding on the UK.
- 2.3 The Withdrawal Agreement allowed for the Transition Period to be extended for two more years, if the UK and the European Union agreed to this by the end of June 2020. The UK Government did not seek to extend the Transition Period.

- 2.4 On 16 July the UK Government published its White Paper on the Internal Market. This aims to standardise open market trading arrangements across the whole of the UK, by proposing to enshrine in law two principles to protect the flow of goods and services in the UK's Internal Market: the principle of mutual recognition, and the principle of non-discrimination. The UK Government's view is that this is required to support our international competitiveness and maintain our attractiveness for international investment.
- 2.5 The Scottish Government have criticised the Internal Market proposals as a 'power grab' from the Devolved Administrations. Certainly, on the basis that England has 85 per cent of the UK population, it is likely to be English standards, set by the UK Government, which will prevail. Some of these standards will be set so as to facilitate trade deals with other countries, meaning that these imports will be freely available across the UK, whatever standards are set in Scotland and Wales. As an example, had such arrangements previously been in place, this would have stopped the Scottish Government from introducing minimum unit pricing of alcohol. Similarly, were the Scottish Parliament to introduce measures designed to tackle obesity, such as requiring producers to reduce the sugar content of food and drink or have bolder labelling on recommended daily intakes, or restrict certain marketing activities, these rules would not apply to goods or service providers entering the Scottish market which satisfied less strict regulations set in other parts of the UK
- 2.6 The extent of the impact will depend on how far the UK Government use these powers to standardise the UK on free market principles. In turn, while this could facilitate a trade deal with countries such as the United States, that would further embed a free market philosophy, probably at the expense of social policies which have been one of the hallmarks of EU membership.
- 2.7 The Internal Market Bill, currently before the UK Parliament gives effect to the White Paper's proposals. The government has also used this bill to give Ministers powers to amend how the UK could implement the Northern Ireland Protocol already agreed as part of the Withdrawal Agreement, if it can't reach key decisions with the EU. The UK Government has said that it will use the Finance Bill to give Ministers further powers with relation to the Northern Ireland protocol. While this would breach the UK's international treaty obligations, in the longer term the bigger issue is likely to be the standardisation of free market rules across the UK. Potentially this would limit the ability of both the Scottish Government and the Council to develop social policy tailored to the needs of communities, such as community wealth building.

- 2.8 As regards the current state of negotiations between the UK and the EU, discussions still continue, in spite of threats of legal action by the EU over breach of the Withdrawal Agreement. The current deadline for negotiations to be finalised is the EU summit on 15 October, although the final European Parliament meeting is 14 December. It is understood that any deal which extends beyond fisheries, trade and competition policy, (areas where the EU has exclusive competence in Europe) will require approval not only by the EU, but by national and sub-national parliaments across the EU. Even if a comprehensive agreement is reached, full implementation could take months or years. The UK will take time to adapt to Brexit in virtually every policy area and is likely to be affected in ways that are currently unforeseen, the current pandemic being a good example
- 2.9 At this stage it is very difficult to know how close we are to a deal. It appears that the most controversial areas are fisheries, the level playing field and the Irish trade border. The 'level playing field' issue is that as a sovereign nation the UK insists on the right to set its own standards and regulation. It therefore refuses to accept EU rules or to be bound by the European Court of Justice. The UK government contends that it is asking for nothing more than the EU grants under its other trade agreements, notably with Canada. The EU's argument is that trade agreements need to reflect geography and levels of trade. The UK is a neighbouring state and trades heavily with the EU. Therefore, the UK is asking for far greater access than granted to any other trade partner. Since the UK is asking for such far-reaching access to the single market, the EU needs to be sure that there is a mechanism in place to ensure that European businesses are protected against future regulatory change that would give UK businesses an uncompetitive advantage, such as lower labour market or environmental standards, or from public subsidies.
- 2.10 Therefore a 'no deal' remains a possibility. This could involve trading on World Trade Organisation (WTO) rules. Whilst a 'no deal' future relationship would be less problematic than a 'no deal' in the Withdrawal Agreement, the UK would still be exposed to considerable disruption and uncertainty in many areas of the economy. UK exports would be subject to tariffs, which would increase prices and reduce margins for UK producers, border checks would be introduced to ensure safety compliance, and some UK services could no longer take place within the EU. Even if the UK and the EU were able to introduce unilateral measures or minimum agreements on some or all of the areas covered in the Political Declaration, which include aviation, financial services, and fisheries, they could be highly rudimentary and short-lived.
- 2.11 In terms of the Council's risk arrangements for Eu-Exit, Members will recall that detailed reports were previously presented to the Audit and Scrutiny Committee. These addressed the worst-case scenario which related to a 'no deal'. In broad terms, the closer a deal is to a 'no deal', the worse the expected economic impact on the UK. A 'no deal' remains the worst-case scenario, and many of these risks remain relevant.

- 2.12 The potential economic impacts of a no-deal also require to be considered against the background of expected COVID impacts. For example, on 13 September British and European car manufacturers warned of £100bn losses in the industry over the next 5 years if a Brexit trade deal is not struck. This comes on top of the £100bn impact of the COVID epidemic on that industry. Both COVID and EU-exit are expected to have negative economic impacts in terms of unemployment and increased levels of deprivation. Both will increase the demand on public services. Similarly, the financial cost to Government of dealing with COVID is likely to restrict their ability to intervene to minimise the economic impacts of EU-Exit. Attempts to reduce public sector expenditure are also likely to further extend austerity at a time of greater demand.
- 2.13 Similarly, the ability of the Council to respond will also be influenced by COVID, not merely in financial terms but in terms of capacity. An obvious example is Environmental Health. In addition to their normal duties, they now enforce COVID legislation, and trace potential COVID cases of behalf of the NHS. A no-deal will give rise to a need to support local businesses to obtain the required export certificates. Similarly, many of the officers who would normally be involved in planning for the risks of Eu-Exit are those dealing with COVID. Preparing for the potential risks to the Council from the UK's exit from the European Union, whilst at the same time continuing to manage the Council's response, renewal and recovery work related to the Pandemic will have significant implications for all Services.
- 2.14 The impact of the UK leaving the European Union features in the Council's Corporate Risk Register and is subject to regular review. When considered alongside the impact of the Covid-19 Pandemic, the potential risk to the Council and our communities is significant.
- 2.15 Given the continuing uncertainty around a number of areas including trade agreements, the Council is maintaining its heightened state of preparedness and will continue to do so pending further developments in the period up to 31 December 2020. The Executive Leadership Team will shortly consider stepping-up the multi-service EU Exit Preparedness Group to further assess risks and plan for Eu-exit. The work to date on COVID Recovery and Renewal, as reported to Cabinet on 8 September 2020, is also relevant to the potential risks of a no-deal. Accordingly, it will be important that these two streams of work align. The remit of the EU Exit Preparedness Group will be:-
- Considering the Scottish and UK Government's emerging Planning Assumptions;
 - establishing information on likely impacts on service delivery resulting from different EU exit outcomes;
 - identifying any actions required to mitigate potential negative impacts;

- working with partners to understand any shared risks and any joint response appropriate to manage any potential impacts;
- taking the lead for North Ayrshire in negotiations with the European Union via COSLA, Solace (Chief Executives), ALRP (Ayrshire Local Resilience Partnership), and WoSRRP (West of Scotland Regional Resilience Partnership);
- Liaising with and supporting national reporting structures established through the Multi-Agency Co-ordination Centre (MACC) and the Scottish Government's Resilience Room (SGoRR), and
- researching the activities and approaches of other local authorities and relevant bodies across the UK and to identify any best practice approaches.

2.16 The Scottish Government have confirmed that the Multi-Agency Control Centre for EU-exit will be re-established at Bilston Glen from 7 December. The Council will feed into this through the Ayrshire Civil Contingencies Team (ACCT). The Ayrshire Local Resilience Partnership (ALRP) are also establishing a multi-agency EU-Exit Sub-Group chaired by Police Scotland, which will feed into ALRP meetings.

3. Proposals

- 3.1 Leaving the EU will have implications for North Ayrshire Council, its partners and North Ayrshire as a whole. The Council had previously identified a number of potential risks from exiting the EU that could impact on communities, local businesses, council service delivery and operations. These potential risk areas remain and, when considered against the concurrent impacts presented by the Covid-19 health pandemic, will increasingly require the attention of the Council, all of our Services and our Partners.
- 3.2 The Committee is asked to note the current position and the structures in place to identify and plan for risks, especially those of a no-deal. It is recommended that a further report is submitted to the next Committee, providing more detail on the expected risks and actions to reduce their impact. By that time, it is hoped there will be further clarity on the terms of any deal.

4. Implications/Socio-economic Duty

Financial

- 4.1 Officers continue to monitor the impact of the EU Withdrawal process on the Council's budget position. The financial impact of COVID may in the medium to longer term detrimentally impact on Council finances, at a time when there is greater demand for Council services

- 4.1.2 In 2019/20, the Council received £50k from the Scottish Government as our share of £1.6m (£50k per council). COSLA, on behalf of all Scottish Councils, has made a request to the Scottish Government for this funding to be allocated again in 2020/21.

Human Resources

- 4.2 There are no human resource implications arising from this report, other than the issues of organisational capacity referred to in the report.

Legal

- 4.3 The terms of the UK's exit from the EU, the means by which it standardises the internal market and the conditions on which the UK Government enter into trade deals have the potential to effect every area of the law. It is likely that a move to a free market philosophy, away from social justice and social policy, arguably one of the hallmarks of the UK's membership of the EU, will bring increasing divergence and conflict between the Scottish and UK Governments.

- 4.3.2 The Internal Market Bill includes Northern Ireland in the standardisation of open trade across the UK, presumably to avoid any perceived border between the UK and Northern Ireland. The danger is that in the absence of robust technological solutions, a trade border is created between Eire and Northern Ireland, in breach of the Good Friday Agreement- itself a binding international treaty. This is likely to end up in court.

Equality/Socio-economic

- 4.4 There are no impacts of this report. However, any deal has huge potential impacts. In particular, the UK Government has indicated its intention to 'modernise' and depart from the terms of the European Convention of Human Rights.

Environmental and Sustainability

- 4.5 Again, there are huge potential impacts depending on the final terms of any deal and the trade deals which the UK enters thereafter. For example, the US tends to put greater weight on competition and free access to markets, rather than the precautionary principle.

Key Priorities

- 4.6 This terms of the deal and the internal market impact on nearly every area of the Council and on all of the priorities.

Community Wealth Building

- 4.7 The internal market proposals have the potential to significantly restrict the Council's ability to make social policy tailored to the needs of its communities. This includes community wealth building.

5. Consultation

- 5.1 Officers from all services were previously consulted in assessing the risks from Eu-exit. This will continue to be the case through the formation of an EU Exit Preparedness Group

Andrew Fraser
Head of Democratic Services

For further information please contact Andrew Fraser, Head of Democratic Services, on 01294 324125.

Background Papers

None

NORTH AYRSHIRE COUNCIL

Audit and Scrutiny Committee

Title:	Council Plan Progress Update – Year-End 2019-20
Purpose:	To advise the Audit and Scrutiny Committee on the progress of performance against the Council Plan 2019-24 as at Year-End 2019-20
Recommendation:	That the Audit and Scrutiny Committee notes the performance of the Council Plan as at 31 st March 2020.

1. Executive Summary

- 1.1 The Council Plan 2019-24 Progress Update (Year End 2019-20) and accompanying appendices provide detailed information on the progress being made towards our strategic priority outcomes and includes key highlights, areas of focus, case studies and best in class examples. It provides an overview of performance up to 31st March 2020. Our response to the Covid-19 pandemic will be detailed in a separate report later this year.

2. Background

- 2.1 The Council Plan 2019-24 was approved by Council on 26 June 2019 and sets out our vision and priorities for the next five years.
- 2.2 The Council Plan 2019-24 Progress Update (End-Year 2019-20) (Appendix 1) provides details of our progress for each of the priorities – Aspiring Communities, Inspiring Place and a Council for the Future. The update also provides key highlights, areas of focus, case studies and best in class examples
- 2.3 The Council Plan 2019-24 Progress Update (End-Year 2019-20) forms part of series of regular and ongoing reports and presents a picture at a moment in time as at 31st March 2020, and therefore pre-dates the Covid-19 pandemic. Our response to the pandemic will be detailed in a separate performance report later in the year.

2.2. Performance Summary

- Preparations for our Best Value Audit by Audit Scotland were completed. Early indications are we are performing extremely well across all themes and have few recommendations.
- Our Chief Executive and Council Leader hosted a series of budget engagement sessions during November, giving communities a Fair Say on our Council budget as well as an opportunity to generate ideas to ensure priority services are delivered as efficiently as possible.

- A recent analysis of the Community Investment Fund (CIF) showed the community projects it funds are meeting key priorities in each locality. To date we have agreed £1,034,045 of expenditure and £932,404 of external funding has been secured by CIF projects.
- The Circuit, our £8million first class sporting facility was officially opened by Scottish Women's Football National Team player Erin Cuthbert.
- We have completed our Trindlemoss facility, a multi-purpose facility providing day care, residential accommodation and a range of support services.
- We have completed 31 new build affordable homes at Montgomerie View, Seamill. The units were uniquely constructed off-site in a factory, a first for the Council.
- We recruited Scotland's first Library Open Data Development Officer in partnership with Scottish Government's Public Library Improvement Fund and the Scottish Library and Information Council, raising awareness of open data and finding what data communities need to drive forward open government.
- We have improved the processing times for Housing Benefit and Council Tax Reduction. New claims reducing by 9.5% since 2018/19 and change of circumstances reducing by 24.8%.





2.3. Areas of Focus

Our progress report sets out our ambitions to continue to progress our performance and make further improvements. Our key **Areas of Focus** for the next six months include:

- Progress our Community Wealth Building strategy including developing a new Community Wealth Building food system with partners to offer a variety of community-led food provision with a range of ownership and participation models.
- Capture experiences and learning from our response to the Covid-19 pandemic.
- Progress our new sector-leading Additional Support Needs (ASN) Campus which will provide a high-quality learning environment for over 200 ASN pupils who currently attend North Ayrshire's four ASN schools.
- Progress the proposals for the new Ardrossan Campus to provide a state of the art educational and community facility
- Implement our £5.9m roads, street lighting and structures maintenance investment plan for 2020/21.
- Progress the digital enablement of various Streetscene teams, including: Bereavement Services, Grounds Maintenance, Enforcement and Rapid Response, using Geographical Information System (GIS) field applications
- Continue to develop our strategic leadership activities to strengthen our leadership across the Council during 2020/21.

2.4. Performance Indicators

- 2.4.1 Appendix 2 details Performance Indicators from the Council Plan Performance Framework, showing (where available) targets and a traffic light (Red, Amber, Green) symbol to show whether the target level of performance has been achieved (Green), is slightly adrift of target (Amber) or is significantly adrift of target (Red).
- 2.4.2 Analysis of the indicators with latest available targets is outlined in Table 1 below. 80.7% of indicators where the status is known are on target or slightly adrift of target.

2019-20 Summary of Traffic Light Status	
Traffic Light	Indicators
 on target	18 (69.2%*)
 slightly adrift	3 (11.5%*)
 significantly adrift	5 (19.2%*)
 status unknown or data only	8 (22.2% of all Council Plan indicators)

**of the 26 indicators where status is known*

- 2.4.3 Of the eight indicators where status is unknown or data only, three measure data that is not available until later this year, four are Insight indicators that are currently being analysed so are pending. The reporting process for one indicator is being reviewed and is currently being reported as data only.

2.5. Actions

- 2.5.1 There are 116 actions associated with the Council Plan. There were previously 118 actions. Since the initial agreement of the actions, two have been merged as detailed below due to duplication. These have been agreed by the relevant services. Below are the names of the actions that have been deemed duplicates and removed, with the current action that will act as its replacement.

“CP38a - We will deliver the Council’s Technology Strategy and Digital Strategy”
has been replaced by

“CP38b - We will undertake a Council-wide review of business application software”.

“CP40b - The Transformation Think Tank will develop a pipeline of initiatives which will support integrated service delivery including opportunities with CPP partners”

has been replaced by

“CP37a – We will identify opportunities for more integrated service delivery through implementation of the Council’s Medium-Term Financial Planning Framework”.

Appendix 3 lists the full set of actions aligned to the Council Plan 2019–24. There are 14 of the 116 actions (12%) slightly adrift of target.

3. Proposals

- 3.1 It is proposed that the Audit and Scrutiny Committee note and approve the Council Plan 2019-24 Progress Update (Year-End 2019-20) and appendices.

4. Implications/Socio-economic Duty

Financial

- 4.1 None. All commitments in the Council Plan are aligned with the Council's agreed budgets.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 The report outlines the Council's commitment to fulfilling its statutory duty in terms of Equalities and Socio-economic duties.

Environmental and Sustainability

- 4.5 The report highlights the Council's commitment to Environmental and Sustainability priorities as outlines in the Council Plan priorities.

Key Priorities

- 4.6 The report provides information on our performance progress against the key Council Plan priorities.

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 The Executive Leadership Team discussed and approved the Council Plan Progress Update Year-End 2019-20 report and appendices on 26th August 2020. The Cabinet, at its meeting on 8 September 2020, agreed to (a) approve the performance of the Council Plan as at 31st March 2020; and (b) submit this report to the Audit and Scrutiny Committee for consideration.

Andrew Fraser
Head of Democratic Services

For further information please contact **Barry Tudhope, Senior Manager (Corporate Policy, Performance and Elections)** on **01294 324113**.

Background Papers

Council Plan 2019-24

Council Plan 2019-24
Progress Update
(Year-End 2019-20)

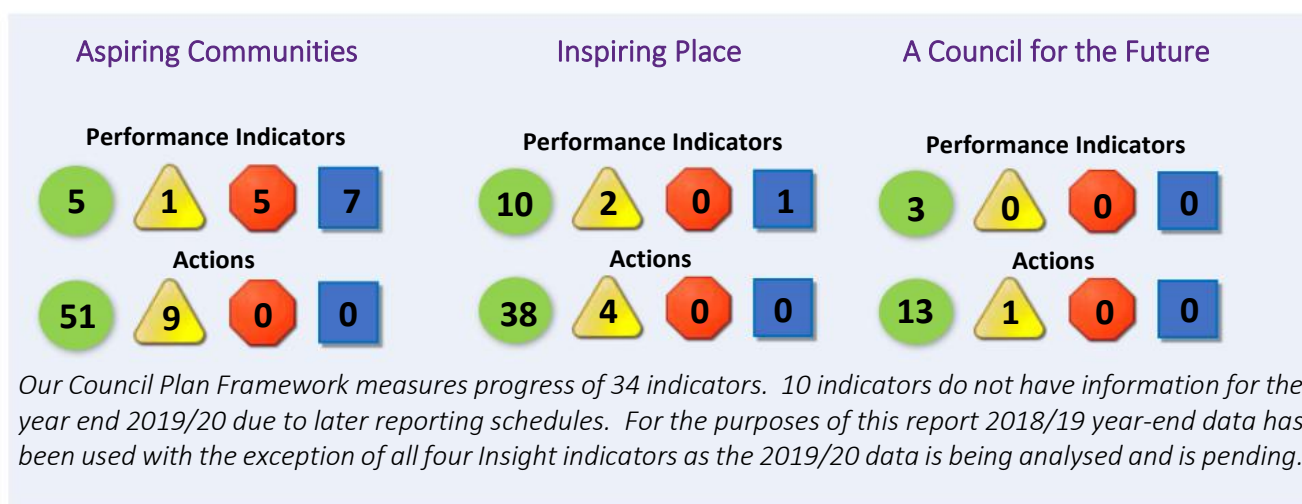
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Welcome to our second six monthly progress report on our **Council Plan 2019-24**.

This report details the performance of North Ayrshire Council during the second half of the financial year 2019-20. The information in this report demonstrates performance as at 31st March 2020. Our response to the Covid-19 pandemic during the final days of this period will be detailed in a separate report later this year.

Since 1st October 2019 we have continued to make significant progress in delivering our Council Plan 2019-24. A summary of the performance indicators and actions within the plan is below, with more detail in the appendices of this report.

Progress against our Council Plan Actions and Performance Measures is progressing well as demonstrated below:



Working together with our communities and our partners is central to everything we achieve. As well as our ongoing work with our Locality Partnerships, we launched our whole systems approach to diet and healthy weight in October. The “whole systems approach” is innovative as it recognises that no single partner, whether it is the Council, NHS or community, can fully understand a person or group’s particular issue and experiences. Instead, through working very closely together as a “whole system” with the people involved, they can untangle what can be very complex root causes and work out how to work differently to address them. As one of the first Scottish councils to adopt this method, we will initially address the issue of diet and healthy weight.

A recent analysis of the Community Investment Fund (CIF) showed the community projects it funds are meeting key priorities in each locality. To date we have agreed £1,034,045 of expenditure and £932,404 of external funding has been secured by CIF projects. Whereas the CIF aims to effect long term change, we’re pleased to announce a newly approved Small Grant Participatory Budgeting fund which widens the reach of funding available to those involved in projects that promote communities and networks.

Investment in the education estate will be a key focus over the coming years, with a £269 million programme of works planned by 2027/28 including the newly approved Ardrossan Campus. This will see the co-location of Ardrossan Academy, Winton Primary School and Early Years Centre, Ardrossan Library and leisure facilities alongside our Health and Social Care Partnership Children and Families Locality Team.

Our Early Years expansion programme has enabled us to deliver 1,140 hours of free care to over 1,200 children, enabling parents and carers to take up training and employment.

Following the success of our Employability programmes, such as the Employability Hubs which have seen 140 unemployed residents secure employment this year, we have launched “EQUAL” our Supported Employment Service. This will support our residents with a disability to find long term fulfilling employment. In addition, our Community Benefit Clauses within our procurement contracts have provided 1,301 weeks of employment for our residents.

Many of our own employees are North Ayrshire residents and we are very pleased to have paid the Real Living Wage five months early, rising from £9.00 to £9.30 in November 2019 instead of April 2020. This benefitted many of our colleagues and in turn, our communities.

To provide high quality, sustainable homes for our residents, we have completed 105 new homes, including the 20 unit supported accommodation refurbishment at Tarryholme, Irvine. At Montgomerie View, Seamill we have 31 new build homes where we embraced a new modular offsite construction method.

We are committed to engaging with digital technology to drive continuous improvement. In Streetscene, we have digitised grounds maintenance activities and rolled out tablet devices to the team so that jobs can be managed electronically. This increased productivity by improving workflow, allocation of resources, and prioritisation of grounds maintenance work, while also reducing our carbon footprint by using significantly less paper. In addition, the processing times for Housing Benefit and Council Tax Reduction have reduced and over 40% of transactions with us are now available online. The completion of the rollout of Microsoft Office 365 to employees has provided opportunities for many of our workforce to work remotely.

Together we continue to improve our services so that we will deliver our vision, a North Ayrshire that is “Fair For All”.

Our Priorities

Our Vision

A North Ayrshire
that is 'Fair For All'

Aspiring Communities

- ▶ Active and strong communities
- ▶ Children and young people experience the best start in life
- ▶ Inclusive, growing and enterprising local economy
- ▶ Residents and communities enjoy good life-long health and well-being
- ▶ Residents and communities are safe

Our Mission

Working together to
improve well-being,
prosperity and
equality in
North Ayrshire

Inspiring Place

- ▶ Well connected with effective infrastructure
- ▶ Homes that meet residents' needs
- ▶ Vibrant, welcoming and attractive environment
- ▶ A sustainable environment

A Council for the Future

- ▶ An accessible Council that puts residents and communities at the heart of what we do
- ▶ An efficient Council that maximises resources and provides value for money
- ▶ A valued workforce that delivers high quality services
- ▶ A powerful and respected voice



**Year-End
Illustration
2019-20**

105 affordable
new
homes
built
in
2019/20

7.77%
reduction
in carbon
emissions

New Real Living Wage
rate implemented

**5 months
early**
for employees

£60,000 participatory
budgeting funding allocated
by young people

Number of children living
in poverty reduced by
2.67% (currently 26.59%)

66.68% of people
aged 65 or over
with long term care
needs supported
to stay at
home

Over 41.62% of
self-service transactions now
online (40.09% in 2018/19)

£932,404
external funding
secured by
Community
Investment Fund
projects

56.3% of household
waste recycled
an increase of 1.7% on last year

771 jobs
created and / or
safeguarded through
our support for local
businesses



► Active and strong communities

- We completed an extensive community engagement process to explore our network of community centres and libraries, in the context of the significant challenges in the Council's medium-term financial plan. The two programmes consisted of 28 meetings and attracted 1,601 responses, including 212 via the Council's online engagement platform, Consul.
- Following a drugs emergency motion being passed by Council in September a North Ayrshire Summit on Drug Related Deaths was held in January. Our Alcohol and Drug (ADP) Participatory Budgeting event was announced at the summit with a focus on prevention and community engagement to address drug deaths. It is due to take place in April and is now moving online enabling community groups and organisations to bid for grants of between £8k and £10k from a total fund of £60k.
- A Youth Participatory Budgeting event took place in November 2019 with £60,000 available. Young People aged 8 to 25 years had the opportunity to have a say on where the funding would be spent.
- Our Small Grant Participatory Budgeting approach was approved in January 2020, ensuring a dedicated annual participatory budgeting fund for our communities. This fund complements the Community Investment Fund (CIF) as it enables more community bids for projects that promotes joining up of communities and networks.
- In October an analysis of the use of the Community Investment Fund against key themes showed a wide range of initiatives have been approved to address key local issues such as isolation and mental health. To date £1,034,045 of our expenditure has been agreed and £932,404 of external funding has been secured by CIF projects.
- Working with partners we ensured free food was available for those in need over the Christmas period. This included hot takeaway meals for children, along with frozen meals and free breakfasts across our six localities; Arran, Garnock Valley, Irvine, Kilwinning, North Coast and Three Towns.
- The development and promotion of "Shaping North Ayrshire – Your Voice, Your View" online engagement and consultation forum has included a refresh of the website and fresh debates on community facilities, the Council budget and Community Wealth Building. A series of promotional events took place including within Locality Partnership meetings in January.
- We developed a new 'Respectful Funeral Package' for launch later in 2020 to tackle funeral poverty by delivering lower cost funerals and simplifying funeral arrangements for vulnerable bereaved families.

► Children and young people experience the best start in life

- Our Executive Youth Council worked in partnership with Carers Trust to consult with young carers on the barriers to participation experienced by many. Their report will be taken to the Scottish Youth Parliament.
- Since April 2019, there have been 143 referrals to our secondary school counselling service. Of these, 36 young people have finished their counselling sessions with over 90% of pupils reporting improvement following this support. Counselling is one of a range of mental health supports available.
- Kilwinning and Largs Academies established wellbeing hubs which provide support and resources to pupils. This includes peer to peer support from pupils trained in Scottish Mental Health First Aid as well as targeted programmes to combat low self-esteem and other aspects of mental health. The Wellbeing Model will be rolled out to all localities.



- The Early Years Expansion has enabled us to deliver 1,140 hours of free childcare to over 1,200 children. As a result, parents and carers have been able to take up training and employment. We have contracted 16 nurseries and 79 childminders to deliver services with us and we have enabled 14 Modern Apprentices to secure employment.
- Implementation of the “Devolved School Management Scheme” in North Ayrshire has given authority to our Head Teachers to decide how best to spend allocated amounts of their budget totalling £75.7m. Decision making is now led by school leadership teams in consultation with key partners including children and young people, in order to better support the learning and teaching of over 18,000 children and young people across North Ayrshire.
- 2,752 families have taken part in family learning support. An additional 32 families from Additional Support Needs (ASN) schools have also engaged with the Family Learning Team through the launch of the parent hub and family cooking sessions which were delivered in all four ASN schools.
- Our Professional Learning Academy delivered training to 325 members of our education team with over 900 pupils benefiting across our schools. The data and quality assurance strategy allows us to capture details of who is involved in the programme and the number of pupils who have benefited as a result.
- We were the first Council to introduce an innovative ‘Birth to Potty Scheme’ which can save families up to £1,300 per child on the cost of disposable nappies, whilst reducing the environmental impact by 40 per cent. Almost 100 families have taken up the offer to date (See case study - Birth to Potty).
- Our Health & Social Care Partnership (HSCP) Universal Early Years teams “Teams Around the Family” are now based within localities and aligned to GP practices to ensure children, young people and their families can easily access services.
- We have provided free period products to over 4,000 pupils in all our secondary schools in addition to the community provision.
- In March 2020, we approved our Capital Budget that will deliver a £269 million programme of works of investment in education by 2027/28. Investment in the education estate will continue to be a key focus for us over the coming years. At the heart of the programme is a commitment to ensure our children get the best possible start in life.
- The percentage of babies being exclusively breastfed at 6-8 weeks has increased from 18.1% in 2017/18 to 20.1% in 2018/19. This is the highest recorded rate in North Ayrshire since 2007.
- We successfully implemented the National Health Visiting Pathway fully and this pathway promotes the importance of prevention and early identification: getting the right support for families at the right time.
- We continued to refine processes in the Multi-Agency Assessment and Screening Hub (MAASH) to respond swiftly to domestic abuse and child welfare concerns. We continually seek to improve processes from screening to assessment to ensure contact and demand is appropriately classified and managed. This includes the continual review of recording content and appropriate personnel being in-situ within the hub in support of the multi-agency working of raised concerns.
- Construction began on the modern, fully accessible Additional Support Needs campus and Respite & Residential accommodation in Stevenston.
- We launched a fostering and adoption campaign in January. To date we have increased the number of new foster carers by 13. We will continue to advertise and recruit on an ongoing basis throughout the year.



► Inclusive, growing and enterprising economy

- Our Community Wealth Building Strategy was approved by the Community Wealth Building Commission in March. Community Wealth Building is a transformational approach to economic development to ensure fair and resilient local and regional economies. There is significant interest in the strategy from regional, national and international partners.
- Outline business cases have been prepared and submitted to UK/Scottish Governments and Growth Deal agencies for both elements of the digital infrastructure growth deal programme and feedback has been taken on board for the Ayrshire Growth Deal. The cases are currently awaiting sign-off through the conclusion of Ayrshire Growth Deal funding documents.
- We have worked hard to attract new investment to North Ayrshire and last year 145 jobs were created as a result of 18 new investment projects that the Council supported.
- We further supported local businesses to grow and develop, creating a further 492 jobs of which 304 were skilled jobs and our team provided support that safeguarded 279 local jobs.
- We supported 291 new start-up businesses last year.
- We have grown the number of businesses operating out of The Circuit (social enterprise/business incubation facility) from 10 to 12 which is now fully occupied with new businesses based there and accessing the on-hand support available.
- We officially launched our new Supported Employment Service “EQUAL” this year. This service supports North Ayrshire residents aged 16 or over with a disability to find long term, fulfilling employment and to provide all the support required for them and their future employers. So far, we have registered and supported 109 disabled residents, with 18 clients being supported in employment.
- We had a successful jobs fair that attracted 150 unemployed residents at the re-launch of the Kilwinning Employability Hub at Kilwinning Library.
- We supported 435 unemployed people into work this year.
- Our Skills For Life programme, supporting lone parents into work, has been completed by 15 residents with 11 securing permanent employment with us and two within the private sector. On average participants are £90 per week better off as a result.
- We have secured £200k additional grant income through No-One Left Behind, a Scottish Government employability support programme and £76k through the Parental Employability Fund, highlighting success of joint working with the Scottish Local Authority Economic Development Network (SLAED).
- Community Benefit Clauses within our procurement contracts have provided 1,301 week's employment for our residents, which is above our mid-year target of 750 weeks.
- Following the development of a business plan to support a bid for funding to Scottish Government in September 2019, we received confirmation of funding support of £1.55M towards a £3.6M community and leisure hub at Lochshore, Glengarnock.
- We secured around £4M of external funding in support of physical regeneration and active travel and transport projects, such as bus corridor improvements, Irvine cycle friendly town implementation, Irvine high street public realm and improvement to connections between transport modes as part of Ardrossan Harbour regeneration.
- We have completed a new commercial property, for lease to private business at Irvine Industrial Estate.



► Residents and communities enjoy good, life-long health and well-being

- Our national early adopter whole system approach to diet and healthy weight was launched in October with strong support from over 100 representatives of key partners including Leeds Beckett University and the NHS. The “whole systems approach” recognises that no single partner, whether it is the Council, NHS or community, can fully understand a person or group’s particular issue and experiences. Instead, through working very closely together as a “whole system” with the people involved, they can untangle what can be very complex root causes and discover how to work differently to address them. The initial focus will be on the public health priority of diet and healthy weight (for which we are one of three early adopter sites), community books, unintentional harm, health inequalities, self-assessment and health in all policies.
- The Circuit, our £8m facility based at Quarry Road, Irvine was officially opened by Scottish Women’s Football National Team player Erin Cuthbert. The new sport and business facilities will help increase town centre footfall and support improvements to sporting and health outcomes locally.
- In the last six months, as part of our resettlement programme, we have supported seven Syrian families to resettle into our local communities. Since the start of the programme we are proud to have welcomed 41 Syrian families to North Ayrshire.
- The contract for independent support has been awarded for the provision of a Pan Ayrshire information and advice service for independent living. The service offers one to one support to help guide our service users / carers decide what Self-Directed Support options suits them best and put their choices into place.
- The Community Link Worker service continued to provide a valuable service within our GP Surgeries with more than 2,000 appointments available. Mental health and well-being continued to be the leading reason for seeking support.
- Our community-based rehabilitation unit at Warrix Avenue supports individuals with severe, enduring mental health needs in an environment that is close to independent living. Since opening we have received 15 referrals, supported eight admissions, transferred three individuals back to acute in-patient service and discharged one person back to the community
- The Health and Wellbeing Service “Active North Ayrshire” delivered by KA Leisure received 773 new referrals and undertook 2,695 classes for a total of 42,132 attendances at supported physical activity sessions this year.



► Residents and communities are safe

- With our Community Planning Partners, we have successfully completed the 16 days of action to highlight the need to end violence against women and girls. Our focus was on sports, visiting 23 sports venues highlighting the issue which encouraged 1,586 men and boys to sign a pledge to never commit or condone violence against women and girls.
- We have implemented the new Environmental Health food law inspection regime and it is facilitating future inspection programming, using the new 'Food Law Rating System'. This combines the food safety and food standards programmes into one 'Food Law Inspection Programme' and will keep our residents safe through a more efficient process for our businesses.
- The Police Triage Pathway within the Crisis Resolution Team is now fully rolled out and demand is regularly monitored. This mental health service provides support to our police colleagues who are involved in assisting individuals who are experiencing mental health distress. It provides police officers with direct access to Community Psychiatric Nurses in the Crisis Team who can assist with risk assessment, general advice and if necessary, admission to hospital.
- Our Health and Social Care Partnership (HSCP) appointed a dedicated Desistance Officer to support people in the justice system to integrate meaningfully within local communities and provides bail supervision as a mean of addressing needs related to risk.

Case Study – Birth to Potty Scheme

We launched our Birth to Potty Scheme in October 2019 to coincide with Challenge Poverty Week and Scottish Climate Week. This offered parents and carers an enhanced Real Nappy Incentive Scheme – becoming the first council in the UK to provide free “birth to potty” real nappy packs.

The new enhanced nappy scheme can save families up to £1,300 per child on the cost of disposable nappies, whilst reducing the environmental impact of nappies by 40 per cent.

We already offered a Real Nappy Incentive Scheme which provides a free trial pack, giving new parents the chance to see what suits their baby best. This trial pack consists of three free reusable nappies in various styles, two waterproof wraps, biodegradable liners and a handy laundry bag.

Parents or carers who use the trial pack are now able to request the full new 'Birth to Potty' pack, containing 20 birth to potty nappies, biodegradable liners and a laundry bag. This comprehensive kit is provided free of charge. Parents or carers who were already comfortable with the idea of using reusable nappies can also request this option without the need for a trial kit first.

Making the switch to reusable nappies can save a significant amount of money in the longer term - however the initial outlay can be costly. Our 'Birth to Potty' scheme removes this cost and the impact of disposable nappy waste.



In the **next six months** we will work towards progressing the actions that will deliver the priority outcomes falling under **Aspiring Communities**, a society where everyone has the same life chances to grow, prosper and have fulfilling and healthy lives.

► Active and strong communities

We will:

- Progress our Community Wealth Building strategy including developing a new Community Wealth Building food system with partners to offer a variety of community-led food provision with a range of ownership and participation models.
- Develop new ways of working through multi-agency Locality hubs and a network of partners to better support communities and partners in a whole systems approach.
- Lead the transition of childcare hubs into community facilities, supported by Connected Communities and the Family Learning Team.
- Continue to develop new digital services, including Virtual Community Centres and Community Leadership Collective.
- Extend participation in local democratic processes and participatory budgeting approaches, including the way we engage and work with young people.
- Further develop the Community Books and Draft Community Charters.

► Children and young people have the best start in life

We will:

- Progress the extensive property and facilities management support required to deliver the 1,140 hours of Early Learning and Childcare Expansion.
- Progress our new sector-leading Additional Support Needs (ASN) Campus which will provide a high-quality learning environment for over 200 ASN pupils who currently attend our four ASN schools.
- Implement the priorities of the Mental Health Strategy for North Ayrshire: work to develop confidence in our staff to support positive mental health and wellbeing; develop organisations that support positive mental health and wellbeing without stigma and discrimination; encourage confidence and resilience in our children and young people; and help parents and carers to support their children's positive mental health.
- Progress the Multi-Agency Assessment and Screening Hub (MAASH) to respond swiftly to domestic abuse and child welfare concerns.

► Inclusive, growing and enterprising local economy

We will:

- Launch our Community Wealth Building Strategy in May 2020, appoint our Expert Advisory Panel and bring forward our delivery programme and implementation plans.
- Support all school leavers to secure a positive post-school destination by working with a range of partners to promote training, further education and employment opportunities available within a challenging economic climate.
- Work towards securing major inward investment opportunities to bring new business to the area.



- Explore the opportunity to position us as a leader locality as part of the blue economy to sustain our ocean resources for economic growth.
- Finalise with partners the Citizens Basic Income Feasibility Study, submit to Scottish Government and disseminate its findings.
- Formally launch our Disability Employment Service to support our disabled residents into employment.
- Conclude funding commitments for Ayrshire Growth Deal (AGD) and progress our suite of AGD projects to deliver inclusive growth, innovation and support place-based regeneration activity.

► Residents and communities enjoy good, life-long health and well-being

We will:

- Monitor and implement the outcomes of the Building Standards Futures Board in relation to Compliance, Enforcement and Fire Safety.
- Explore funding sources for Mental Health Practitioners in GP Practices.
- Evaluate engagement findings from January 2020 to allow NHS Ayrshire & Arran to reform future chemotherapy services.
- As part of a new UK-wide programme for Syrian Resettlement, provide a safe-haven for a further six families by March 2021.
- Deliver the North Ayrshire Alcohol and Drugs Partnership online participatory budgeting event.

► Residents and communities are safe

We will:

- Complete a CCTV pilot with Commercial Services and Property Management & Investment to further improve existing building security.
- Further develop the wider 'Housing First' approach in our provision of homelessness services, providing mainstream, settled accommodation for our tenants as quickly as possible.



► Well connected with effective infrastructure

- We have completed our Trindlemoss facility, a multi-purpose facility providing day care, residential accommodation and a range of support services. In the last six months, service users, families and staff have used the 'day opportunities' facility to maximise health and wellbeing opportunities.
- Our Ardrossan Campus proposals for a state of the art educational and community facility was approved and will provide modern, fit for purpose surroundings to give young people the best start in life. It will see the co-location of Ardrossan Academy, Winton Primary School & Early Years Centre, Ardrossan Library and swimming / leisure facilities as well as provide access for the Health and Social Care Partnership (HSCP) Children and Families Locality Team.
- Our Local Development Plan was approved and adopted by Scottish Government in November 2019. This sets out how we aim to guide development and investment in the area over the next 20 years.
- Our Vacant and Derelict Land Funding (VDLF) has enabled the following:
 - Ardrossan North Shore: Approval to proceed to purchase the site in place early April 2020, and site masterplan options developed.
 - Leverage of £2.2m of Regeneration Capital Grants Fund (RCGF). A valuation has been undertaken to allow the purchase of land within i3 and the implementation of investment through the Ayrshire Growth Deal.
 - A new industrial unit at Kyle Road, Irvine Industrial Estate.
 - Lochshore: Site investigations and the development of a fresh masterplan for the site has been completed. This proposes a major placemaking investment to create an outdoor visitor destination, leisure / active travel attraction, play facilities and business opportunities, while creating the conditions for future housing development. A successful Regeneration Capital Grants Fund (RCGF) bid secured £1.55M as part of a £3.6m investment in to delivering phase one of the masterplan.
- To date we have secured £2.056m to improve the accessibility of our town centres and public places for active travel and transport through placemaking and public realm improvements such as completion of Irvine High Street Public Realm, Bus Corridor Improvements and Irvine Cycle Friendly Town implementation.
- The marketing of land at Montgomerie Park for private sale was launched on 13th January following the recent approval of a Simplified Planning Zone for the site.
- We have supported projects to bid for Scottish Government's Regeneration Capital Grant Fund (RCGF) in the delivery of the Saltcoats Training Station and the development of bids for future funding for Millport Town Hall.
- The Scottish Government awarded £1.417m Town Centre Funding in 2019/20. We agreed to focus £1m investment on Stevenston and Dalry with the balance being available to support proposals from other towns. Proposals include shop front, streetscape and buildings improvements amongst other projects nominated locally. Delivery of these projects will continue into this year.
- Flood Protection Schemes- the £17.5m Upper Garnock Scheme is now at contract award stage with a site start anticipated during summer 2020, and for the £27.5m Millport Flood Protection Scheme the statutory consultation has been completed following notification of the scheme in March 2020.
- We submitted early outline proposals for new flood protection schemes in Irvine, Fairlie and on Arran to the SEPA National Prioritisation process.

These projects, if approved, will form the next wave of flood protection schemes to help protect homes and businesses from the effects of climate change.

- We approved a new Road Asset Safety Inspection Policy which is designed to bring a further shift from reactive to planned maintenance to improve the condition of our network. We saw our Roads Condition Index improve from 38.1% to 37.3% this year which validates our prioritised approach to maintenance investment, and we expect to build on these improvements in the coming year.
- We submitted our application for Decriminalised Parking Enforcement powers to Scottish Ministers. This will transfer responsibility for parking violations from Police Scotland to the Council and allow us to take a more pro-active approach to dealing with parking issues.

► Homes that meet residents' needs

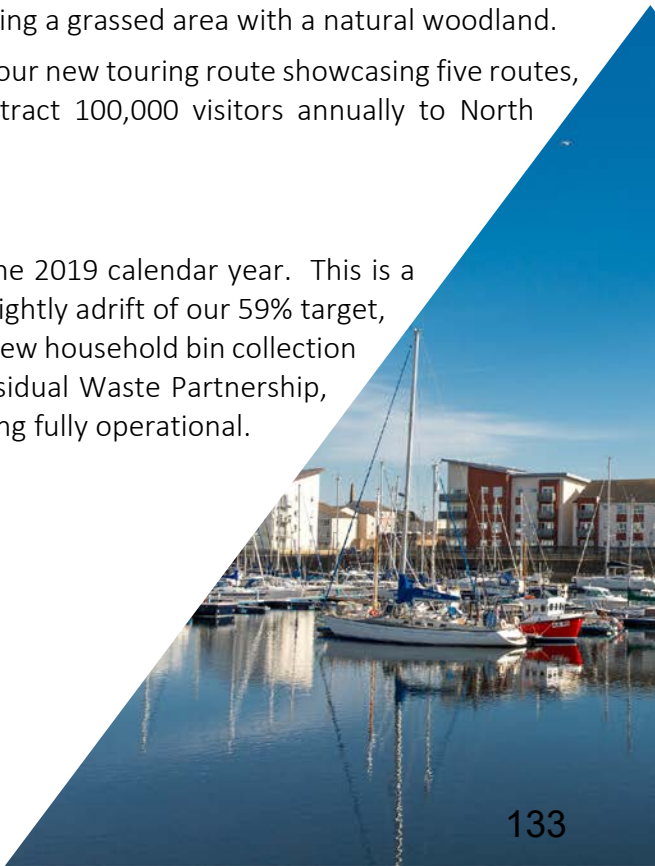
- We have completed 31 new build affordable homes at Montgomerie View, Seamill. The units were uniquely constructed off-site in a factory, a first for the council. This method reduced construction time and waste whilst retaining a high level of quality.
- We have completed our Meadowcroft facility providing support for looked-after / former looked-after children and young adults.

► Vibrant, welcoming and attractive environment

- Working in partnership with the local community in Castlepark, Irvine, a campaign was launched to highlight littering and other environmental crime to discourage those responsible. This four-week initiative involved increasing our enforcement patrols and saw a number of offenders issued with Fixed Penalty Notices for fly tipping and dog fouling. This model is being rolled out to hotspots in other communities across North Ayrshire. (see case study – Castlepark Spring Clean)
- We worked with a local community group, FRIENDS of Stevenston, to plant 2,000 new trees at Ardeer Quarry. These trees will help absorb carbon from the atmosphere, provide a valuable habitat for animal and plants and create an attractive environment for physical activity, health and wellbeing benefits. The 3.3-hectare area will also reduce our grounds maintenance costs by replacing a grassed area with a natural woodland.
- We launched the COIG.com website and mobile application of our new touring route showcasing five routes, one great adventure in November. We are expecting to attract 100,000 visitors annually to North Ayrshire.

► A sustainable environment

- Our household waste recycling performance was 56.3% for the 2019 calendar year. This is a rise of almost 2% from the previous year. While the figure is slightly adrift of our 59% target, we expect to reach our 60% target for the coming year as our new household bin collection service beds in further and as a result of our Clyde Valley Residual Waste Partnership, which involves recovering energy from our residual waste, being fully operational.



- The success of our Enterprise carpool scheme for staff continues, with a 33% increase in pool car mileage - over 275,000 miles travelled during 2019/20. This performance was facilitated by a further recruitment drive providing a 20% increase in membership taking us to 1,100 drivers reducing their grey fleet mileage (staff using their own vehicles). We also added a further three electric vehicles to the scheme taking the total to six fully electric vehicles which is reducing our carbon emissions further.
- As part of our Dickson Drive, Irvine, development, we completed two sustainable demonstrator units in March 2020. They showcase:
 - A renewable energy system incorporating a water heat pump
 - Solar (PV) roof panels
 - Thermal stores provide heating, hot water and electricity generation.
 - Smart heating lighting controls and home security
 - Upgraded insulation and triple glazing
 - Various water conservation measures.

Case Study – Castlepark Spring Clean

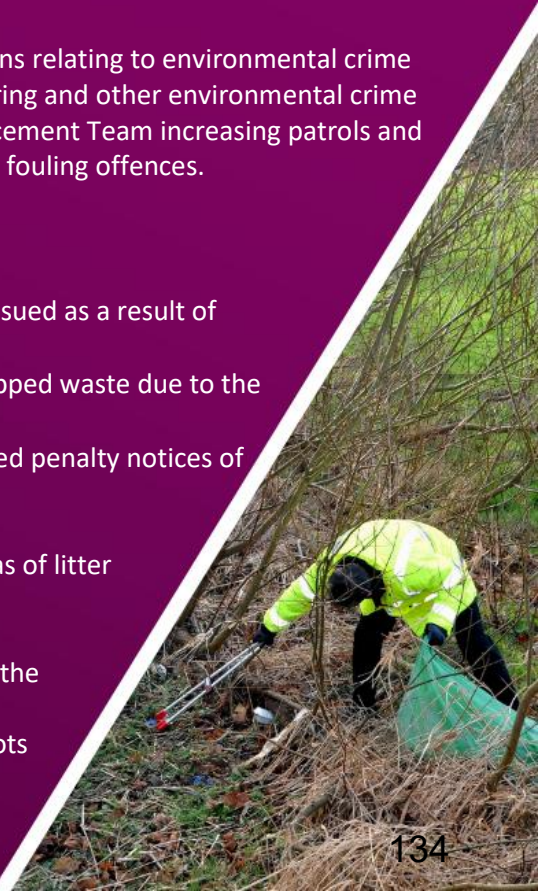
Streetscene worked in partnership with residents in Castlepark to tackle concerns relating to environmental crime in their community. A tailored public campaign was launched to highlight littering and other environmental crime in the area. This four-week initiative saw the Streetscene Environmental Enforcement Team increasing patrols and issuing a number of offenders with Fixed Penalty Notices for fly tipping and dog fouling offences.

During that time our Enforcement Team identified:

- 18 incidents of fly tipping - with 12 fixed penalty notices of £200 each issued as a result of subsequent investigations.
- Six offenders who were instructed to pay for the removal of some fly tipped waste due to the nature of the contents.
- Two owners failing to clean up after their dog who were issued with fixed penalty notices of £80 each.

Free dog fouling bags were provided to residents who requested them and areas of litter resulting from the recent storms were identified and cleared.

The 'Castlepark Spring Clean' was a huge success, improving the appearance of the area, increasing civic pride, and stimulating environmental volunteering opportunities. Officers are working on the roll-out of this model to other hotspots across North Ayrshire.



In the **next six months** we will work towards progressing the actions that will deliver the priority outcomes falling under **Inspiring Place**, an enterprising, vibrant and sustainable environment, appealing to investors, attractive for visitors and a place our residents are proud to live and work in.

▶ Well connected with effective infrastructure

We will:

- Progress the proposals for the new Ardrossan Campus to provide a state of the art educational and community facility.
- Implement our £5.9m roads, street lighting and structures maintenance investment plan for 2020/21.
- Implement our investment plans at i3 as a premier business location with first class accommodation and sites on offer.
- Implement our regeneration plans for town centres including the completion of public realm works in Irvine town centre, town centre investment proposals in Dalry and Stevenston.

▶ Homes that meet residents' needs

We will:

- Continue to deliver our housebuilding programme to build 1,575 new Council homes.
- Deliver major housing planning applications in Irvine, Three Towns, West Kilbride and Kilwinning to help tackle the decline in population forecasts and support community growth making housing more affordable to working age families.

▶ Vibrant, welcoming and attractive environment

We will:

- Support the wider regeneration of our communities by maximising all of our land and assets including through alternative uses for community and business benefit.
- Finalise our Volunteering Strategy to identify more opportunities for local people to get involved in caring for their environment.
- Finalise design proposals for stage two, of the Maritime Mile at Irvine Harbourside, commence community and partner consultation and conclude proof of commercial concept for Great Harbour proposals.
- Monitor progress of our application for Decriminalised Parking Enforcement (DPE) to the Scottish Government which would ensure implementation of traffic management within our Town Centres.
- Progress Ayrshire Growth Deal Marine Tourism development work including Ardrossan Marina extension business case, technical work and a partnership agreement with Clyde Marine Ltd.
- Seek approval for a new regeneration delivery framework to inform and guide on future approaches to investment and priorities.



- Progress the CARS (Conservation Area Regeneration Scheme) in Millport by providing financial assistance to protect the historic fabric of the conservation area within Millport. The project will run until March 2021.

► A sustainable environment

We will:

- Prepare for the start of construction of the Millport Coastal Flood Protection Scheme that is scheduled for August 2021, following the scheme being formally notified in March 2020.
- Commence work on the Upper Garnock Flood Protection Scheme in summer 2020.
- Conclude the studies and identification of potential projects for consideration as part of the next cycle of the Ayrshire Local Flood Risk Management Plan.
- Virtually showcase one of the sustainable demonstrator units at the Dickson Drive, Irvine, development in summer 2020.
- Prepare the next Environmental Sustainability and Climate Change Strategy, setting priorities to achieve net zero carbon emissions by 2030, through consultation with communities, exploring academic partnerships, investing in renewable solutions and delivering carbon emission reduction and removal projects.
- Improve household waste recycling rates further by resuming our 'right stuff in the right bin' campaign, focussing on improving the quality of recyclate in the blue bins.
- Prepare proposals for planting over 100,000 trees in North Ayrshire as part of the Council's £500k commitment to planting trees as part of our net-zero emission ambitions.



► An accessible Council that puts residents and communities at the heart of what we do

- Our Chief Executive and Council Leader hosted a series of budget engagement sessions during November, giving communities a Fair Say on our Council budget as well as an opportunity to generate ideas to ensure priority services are delivered as efficiently as possible.
- We have expanded our self-service delivery model providing local digital support and access to ensure people are able to carry out online transactions. Over 40% of our self-service transactions are now carried out online. Bin collection calendar reminders were downloaded 22,000 times.
- Our Digital Team alongside our Library Service hosted a free drop in event at the Active Travel Hub in Irvine Trinity Church, to help our residents get online safely and securely, save money through using online services and connect with friends. The Digidabble equipment and a gaming area were also available, giving many residents access to technology that would otherwise be out of reach while providing the basic digital skills necessarily for our residents to be confident and safe online.
- Our Coding the Future Project was successful in applying for an Education Scotland Science Technology Engineering and Maths (STEM) grant of £5,000 to support the project, including the set-up of a virtual STEM Hub and a STEM website.
- We provided 316,163 sessions of public Wi-Fi across 22 venues including libraries and the Harbour Arts Centre during 2019-20 before their closure due to Covid-19 on 19th March.
- We recruited Scotland's first Library Open Data Development Officer in partnership with Scottish Government's Public Library Improvement Fund and the Scottish Library and Information Council raising awareness of open data and finding what data communities need to drive forward open government.
- We were the first Council in Scotland to launch an on-line search facility for families to check the location and view an image of headstones in burial grounds.

► An efficient Council that maximises resources and provides value for money

- Preparations for our Best Value Audit by Audit Scotland were completed. Early indications are we are performing extremely well across all themes and have few recommendations.
- In March we agreed our Medium-Term Financial Plan to secure a balanced budget for 2020/21 plus indicative estimates for 2021/22 and 2022/23. The Council also agreed the General Services Capital Programme for the period to 2027/28.
- We have improved the processing times for Housing Benefit and Council Tax Reduction. New claims reduced by 9.5% since 2018/19 and change of circumstances reducing by 24.8%.
- We are the first council in Scotland to develop an on-line resource modelling schedule for grounds maintenance work, enabling teams to do their job more effectively while providing a better service to our communities. (See Case Study - Grounds Maintenance Mobilisation).
- We completed our capital investment funding £2m Infrastructure Strategic Review for telephony and networks. The new telephony contract has been awarded and contracts for the Council's networks are currently out to tender.
- We completed our migration to email and teams in Office 365.
- As part of our ongoing commitment to cyber security, we have again been certified by the UK government as compliant with their security standards. Beyond this, we have commissioned a programme of work which will ensure we remain secure from both known and emerging threats.

► A valued workforce that delivers high quality services

- We paid our employees the new Real Living Wage five months early. The new rate of £9.30 per hour was announced in November 2019, a rise of 30p per hour for our employees. The new Real Living Wage rate was not due to be adopted by businesses and organisations until April 2020.
- An Occupational Health SharePoint has been developed and launched together with Optima Online resource for employees and managers. This has a wealth of information and advice to support employees within the workplace on health matters.
- Employee Survey (Our Voice) was completed and analysed. The survey response rate was 46.2% - the highest to date for any survey. Our engagement level was 70.7%.
- Three groups of Senior Managers have successfully completed the Blue Wave of Change Strategic Leadership Programme as well as investment in wider leadership development programmes, ensuring our leaders are supported and equipped to lead through change.
- A range of leadership opportunities for education have been provided, improving employee skills in developing the leadership of others in their schools. This year, seven schools and 24 practitioners have been involved.
- We continued to focus on customer satisfaction with 81% of customers being delighted with the service they have received. This is better than our target of 77% and is consistent with our satisfaction rate for the previous year.

► A powerful and respected voice

- Our Interim Report on the Feasibility of Citizen's Basic Income Pilots in Scotland was submitted to the Scottish Government in October. Findings were shared with national stakeholders and Scottish Ministers at a meeting with the Cabinet Secretary for Communities and Local Government. The report was promoted during Challenge Poverty Week.
- In partnership with the Health and Social Care Partnership, we were identified by the Scottish Government as one of three national test sites for 'co-creating libraries for wellbeing'. This has led to the creation of a wellbeing hub in Kilwinning Library co-designed with our Mental Health Youth Ambassadors from Kilwinning Academy.

Case Study – Grounds Maintenance Mobilisation

Our Streetscene Service is responsible for maintaining 2,410 hectares of public open space across North Ayrshire. This includes parks, pitches, schools, cemeteries, beaches and woodland. In the spirit of continuous improvement, opportunities to embrace the digital agenda to improve performance were explored.

Building on earlier work to make play park and memorial inspection paperwork electronic, a decision was made to digitise grounds maintenance activities and issue grounds maintenance colleagues with tablet devices.

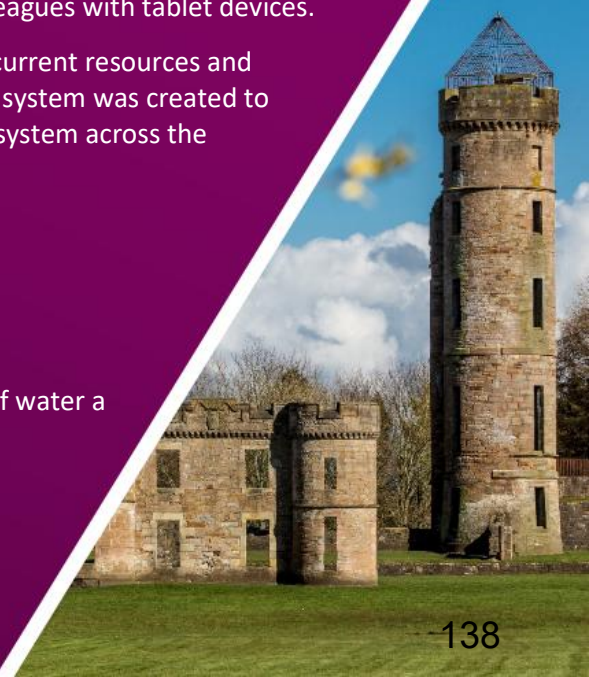
The process involves the analysis of working practices to fully understand the current resources and demands. This was used to identify areas for improvement. A bespoke online system was created to schedule grounds maintenance work. Following a pilot, we aim to extend the system across the service.

The benefits are:

- Accurate daily data enabling better allocation of resources.
- A flexible workforce ready to meet changing demands quickly.
- Teams can prioritise outstanding tasks based on their local knowledge.
- A better overview of grounds being maintained.
- An almost paper free system, equivalent to saving up to 42,000 litres of water a year.

Next Steps:

- Data will be analysed to inform next year's workforce planning.
- Customer enquiries will be passed to teams remotely.
- The technology can be used by other services to make improvements and efficiencies.



In the **next six months** we will work towards progressing the actions that will deliver the priority outcomes under a Council for the Future. These are:

► **An accessible Council that puts residents and communities at the heart of what we do**

We will:

- Continue to engage with our communities on our transformation themes and development of locality community charters.

► **An efficient Council that maximises resources and provides value for money**

We will:

- Action any areas for improvement highlighted during our Audit Scotland Best Value review.

► **A valued workforce that delivers high quality services**

We will:

- Capture experiences and learning from our response to the Covid-19 pandemic.
- Progress the 2020/21 Healthy Working Lives employee initiative.
- Launch our new Connected Leadership programme.

► **A powerful and respected voice**

We will:

- Explore additional external funding to support key priorities.

Key



On target



Slightly adrift of target



Significantly adrift of target



Data only / Status Unknown

Performance Indicators

Aspiring Communities

- ▶ Active and strong communities
- ▶ Children and in life
- ▶ Inclusive, growing and enterprising local economy
- ▶ Residents enjoy good, life-long health and well-being
- ▶ Residents and communities are safe



Actions



Performance Indicators

Inspiring Place

- ▶ Well connected with effective infrastructure
- ▶ Homes that meet residents' needs
- ▶ Vibrant, welcoming and attractive environment
- ▶ A sustainable environment



Actions



Performance Indicators

A Council for the Future

- ▶ An accessible Council that puts residents and communities at the heart of what we do
- ▶ An efficient Council that maximises resources and provides value for money
- ▶ A valued workforce that delivers high quality services
- ▶ A powerful and respected voice



Actions



Transformation

- ▶ The transformation programme has been aligned to our Council Plan themes to deliver better outcomes for our Communities and help the Council secure financial sustainability.

Projects Delivering Expected Financial Savings



For the purposes of this report 2018/19 year-end data has been used with the exception of all four Insight indicators as the 2019/20 data is being analysed and is pending.

Amended Performance Indicators

CP_03 - % of residents who agree they have access to opportunities to participate in their local community

The baseline for 2018 and target for 2019/20 has been increased from 30% to 47%. This is to provide more accurate reporting but does not affect actual performance. The data for this indicator comes from responses to a question in the 2019-20 People's Panel survey where respondents can choose from multiple answers. The original baseline was taken from one of these options which incorrectly excluded other positive answers. This has now been resolved.

CP_24 - Number of empty homes brought back into use

We are currently developing a more robust reporting process for empty homes. This includes system and process changes to highlight errors and duplication, which may result in minor changes to historically reported figures. We are confident that Housing Services will exceed the target of 600 empty homes brought back into use by 2024.

Performance Indicators Adrift of Target

Our Council Plan Framework measures progress of 34 indicators. 10 indicators do not have information for the year end 2019/20 due to later reporting schedules. For the purposes of this report 2018/19 year-end data has been used with the exception of all four Insight indicators as the 2019/20 data is being analysed and is pending.

Five indicators are showing significantly adrift of target and three indicators are slightly adrift of target.

► Aspiring Communities

● CP_01 - % of population who are involved in local decision making

For the purposes of creating as much rigour as possible, we specifically count the opportunities where democratic participation is directly with or through the Council. This does not therefore include the situations where the Council provides support to local organisations to engage with individuals and communities e.g. Ardrossan Development Trust, Stevenston Development Trust, Beith Development Trust, Cumbrae Development Trust, Community Council engagements and a variety of interest group engagements e.g. community associations, heritage and sports groups.

Where a group meets more than once during a year only one occurrence is counted. This is to minimise double counting where possible. This also means, towards the end of the year many regular events will have already been included in the figure earlier in the year. It should not be concluded that during quarter 4 fewer events took place. Due to the nature of this indicator it is not possible to record unique individuals, but it does give an indication of the involvement of our community in local decisions.

● CP_12 - Percentage of learning disability service users accessing employment support activities

The Learning Disability Job Coaches are a crucial resource with regard to employability that has, along with the rest of day services, been experiencing a period of considerable flux and development over the past year, as part of preparing for the closure of existing services and the move to a combined new site at Trindlemoss, in Irvine.

Recent work has focused on exploring the existing role of job coaches working within learning disability day services, with a view to ensuring that their activity reflects and benefits from the broader community change agenda being promoted in association with the development of Trindlemoss Day Opportunities Centre. Collaboration with a broad range of community partners is a key aspiration for Trindlemoss, and it is anticipated that the Job Coaches, as core practitioners within Trindlemoss, will play a role in creating new collaborations, and developing existing ones.

● CP_13 - Percentage of children with BMI centile >91 at 27 month review

Our Universal Early Years team continues to provide supports ensuring the health of young children. Health Visitors also carry out reviews of all children in North Ayrshire at 27 - 30 months, to make sure they are healthy and thriving.

● CP_14 – No of households in fuel poverty

The Scottish House Condition Survey (SHCS) provides estimated annual fuel poverty figures. In July 2019 the fuel poverty definition changed with the introduction of the Fuel Poverty (Targets, Definition and Strategy) (Scotland) Act. SHCS reporting for this year incorporates some of the changes to the new fuel poverty definition resulting in more homes being identified as being in fuel poverty. This is a best estimate of fuel poverty under the new definition and cannot be compared to previous local authority analysis figures. We continue to focus efforts towards reducing fuel poverty through the development of our Local Heat and Energy Efficiency Strategy, the delivery of home insulation and solar PV installation programmes, and the referral mechanisms established through the Local Energy Advice Forum to maximise income and support residents with utility bill enquiries and switching suppliers.

● CP_15 - Number of attendances at indoor sports & leisure facilities (excluding pools)

The number of attendances at indoor sports and leisure facilities excluding pools during quarter four in 2019/20 was 467,037. Annually the number of attendances (excluding pools) was 1,859,843. Although facilities and activities only closed from 23 March 2020 attendances were negatively impacted by the Covid-19 pandemic during the latter part of February and all of March. Despite introducing a customer awareness campaign and additional cleaning processes customer confidence reduced due to the pandemic, while a number of sports governing bodies made decisions to stop all activity leading to a reduction in attendances across all activities.

▲ CP_17 - Emergency Admissions (Number)

Quarter Two Update: The Chief Executive of NHS Ayrshire and Arran is sponsoring an Exemplar Leadership Group with a remit of unscheduled care/emergency admissions. The membership of the group is made up of senior personnel from both acute sites and North and East Partnerships. The group have already begun to examine business intelligence relating to trend analysis within the acute sites. It is anticipated that this will assist in better understanding of where and when the pressures are and to then plan how to minimise those interventions. The topic of unscheduled/emergency admissions is discussed, currently for NHS Ayrshire and Arran sites, daily to ensure that wherever possible presentations at hospital sites are not converted into admissions.

▶ Inspiring Place

▲ CP_19 – Proportion of Operational Buildings that are suitable for their current use

2019/20 result was 90.91% against a target of 93%. The Scottish Average for 2018/19 was 82.14% with the Council ranked 9/32 Scottish Local Authorities and remains in the 2nd quartile. Rationalisation of the Additional Support Needs school estate and integration of Health and Social Care Partnership locality teams within secondary schools will increase the figure over the next two years

▲ CP_31 - % of total household waste that is recycled (calendar year as per SEPA)

The estimated Scottish Environment Protection Agency (SEPA) Household Waste Recycling performance for 2019 (calendar year) is 56.3% against a target of 59%, showing an increase of 1.7% compared to 2018 (54.6%). While performance is slightly adrift of target, we expect to meet the 60% target for the coming year as a result of our new household bin collection service bedding in further and full operation of our new Clyde Valley facility which recovers recycle and energy from our residual waste.

▶ A Council for the Future

All indicators are on target.

Actions Adrift of Target

Our Council Plan delivery plan measures 116 actions, there are 14 slightly adrift of target.

▶ **Aspiring Communities**

▲ **CP_06b - We will improve the attainment and achievement of our children and young people through high quality learning and teaching in our schools.**

The Literacy Strategy is now complete following consultation with young people, staff and senior leaders. Work to support establishments in the full implementation of this strategy continues. The Professional Learning Academy (PLA) completed the professional learning menus for the new session and these were shared with Heads of Establishments.

▲ **CP_09a – We will work in partnership to develop an Ayrshire Regional Skills Investment Plan.**

Skills Development Scotland (SDS) are leading the preparation of the Regional Skills Investment Plan (RSIP). SDS are also actively contributing to the development of the Regional Economic Strategy, which will provide a long-term strategic approach to the Ayrshire economy. This is at an advanced stage and once completed the RSIP can be progressed.

▲ **CP_10b - We will work in partnership to design our Ayrshire Growth Deal £3m digital infrastructure project.**

Outline business cases have been prepared and submitted to UK / Scottish Governments and Growth Deal agencies for both elements of the digital infrastructure growth deal programme, and feedback from government policy leads has been taken on board to date for the Ayrshire Growth Deal, and the cases are currently awaiting sign-off through the conclusion of Ayrshire Growth Deal funding documents.

▲ **CP_14b - We will share learning from commissioned research, including interactions between basic income and social security, and modelling of the potential economic impacts of a basic income in Scotland.**

Due to a delay in feedback on the interim feasibility report from Scottish Government, there was a delay to the completion of the commissioned economic modelling. The economic modelling work was reported to the Steering Group in March 2020. An official report on the research will be published and shared by Fraser of Allander Institute alongside the release of the Final Report on the Feasibility Study.

▲ **CP_14c - We will produce and submit a full business case on the feasibility of Scottish Basic Income pilots to Scottish Government in March 2020**

The Final Report is complete and has been peer reviewed, receiving very positive feedback. The report was due to be submitted to a meeting of the national Citizens Basic Income Councillor Group organised for the 26 March and was due to be launched at an event in early June. Due to the current social distancing measures as part of Covid-19 the approval route for the report has been disrupted. The Steering Group are working to virtually share the final report with the Councillor Group to receive their feedback and will then revisit a revised timeline for Council approval ahead of submission to Government Ministers.

▲ **CP_15b - We will help individuals to have better choice and control of their support at an early stage by reinvigorating Self-Directed Support and the HSCP charging policy**

The contract for the Pan Ayrshire Information and Advice Service has been awarded. Our audit of Self-Directed Support has been completed and the improvement actions will be taken forward with the support of our Transformation Team. We continue to progress our Self-Directed Support Action Plan. The Fairer Access to Community Care Services is now ready for consultation. Children with Disability and Services working group are reviewing the Direct Payment Policy and processes.

- ▲ **CP_16f - We will place Mental Health Practitioners into GP practices to offer triage calls, urgent and routine face to face assessments as well as directing patients to the most appropriate support without unnecessary referrals to mental health services**

The roll out of Mental Health Practitioners into GP practices is ongoing and will continue when further funding is secured. Recruitment of qualified staff has taken longer than expected due to national shortages. The Occupational Therapist service is providing positive outcomes.

- ▲ **CP_17d - We will roll-out the Child and Adult Mental Health Service (CAMHS) wellbeing model piloted in Kilwinning locality to all localities**

In light of the publication of a National Specification for Child & Adolescent Mental Health Services being published in February by the Scottish Government, the roll out of the model in its current format is being revised. Further updates will be forthcoming.

- ▲ **CP_18b - We will further improve support to young people to enable them to sustain their tenancies.**

Pilot on hold. Support provision is limited to telephone only from Housing Support officer due to COVID 19 pandemic; all SQA/ CEIS courses suspended.

▶ Inspiring Place

- ▲ **CP_19a - We will support the development of the Ayrshire Regional Transport Appraisal**

Transport Scotland has prepared a draft report on the Case for Change for the Ayrshire Region as part of the Strategic Transport Projects Review 2 (STPR2). This is currently subject to public consultation; the deadline has been extended because of the current pandemic. A revised programme will be developed for STPR2 and issued by Transport Scotland in due course. Discussions on the development of a regional appraisal will recommence thereafter.

- ▲ **CP_20a - We will agree a package of funding with partners to ensure the long-term resilience of Ardrossan Harbour**

A preferred option for the reconfiguration of Ardrossan Harbour has been identified by the Ministerial Task Force. Exemplar designs are in place for both the marine and landside works at the harbour. An announcement on the funding package for the investment required will be made when an appropriate funding/legal agreement is in place between Peel Ports Group/North Ayrshire Council and Transport Scotland. This should allow construction works to commence in early 2021.

- ▲ **CP_22b - We will implement a range of energy efficiency measures to non-domestic Council buildings, reducing carbon emissions and providing revenue savings**

All sites have completed their initial Measurement and Verification period and have been analysed by verification specialists, EEVS (Energy Efficient Verification Specialists). Various Energy Conservation Measures are reporting under-performance and are being investigated to identify possible solutions. Once remedial works have been completed, a further 3-month measurement and verification will be agreed to ensure energy savings are achieved.

- ▲ **CP_26b - We will deliver an alternative affordable housing model – HOME – in one of our most pressured localities.**

We are currently considering a number of options for the HOME model in light of Scottish Water drainage restrictions which will significantly reduce the site capacity. The design team are working on ways to overcome this challenge.

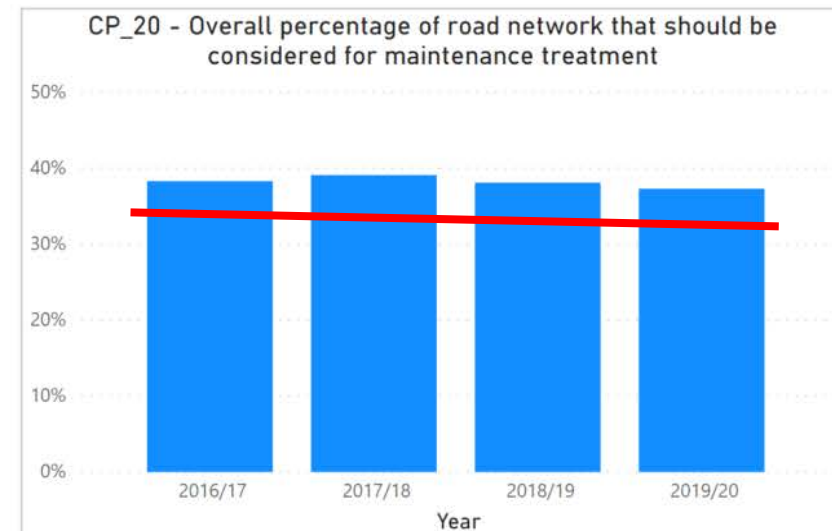
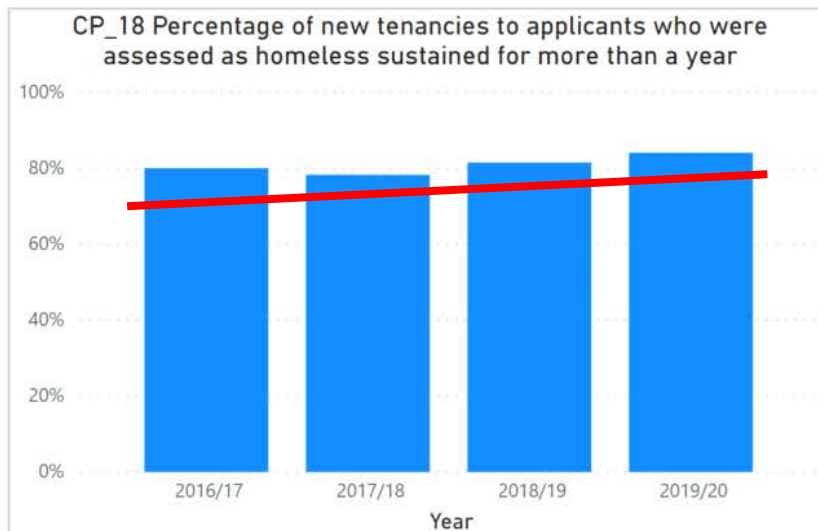
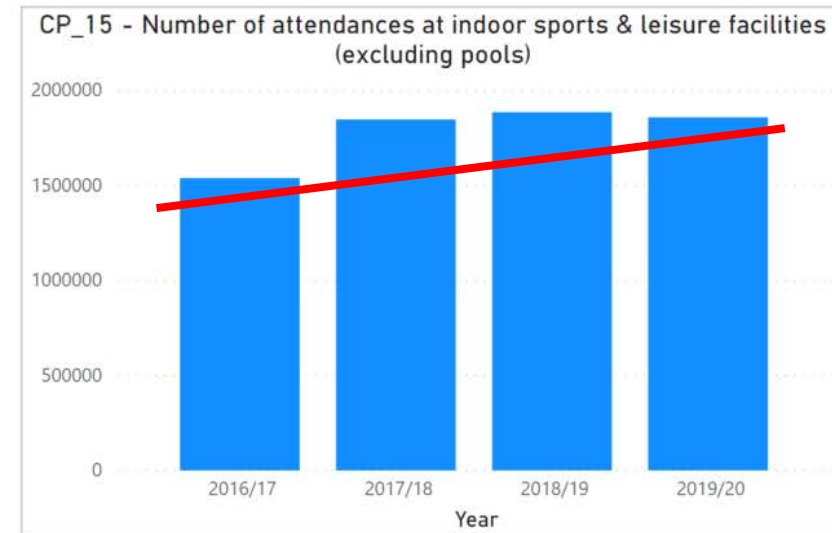
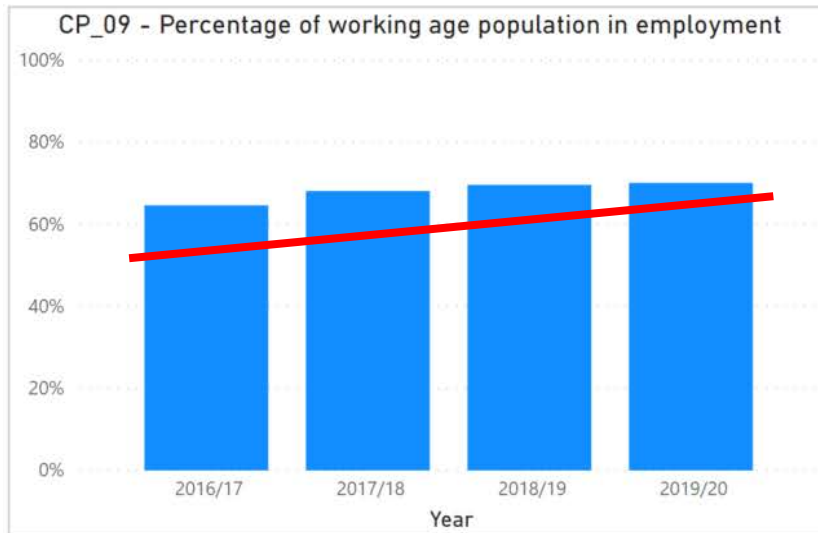
► A Council for the Future

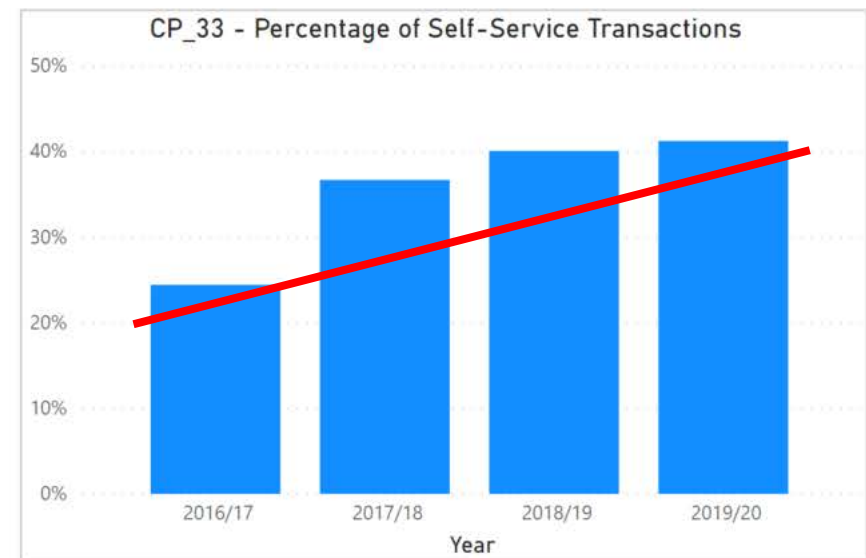
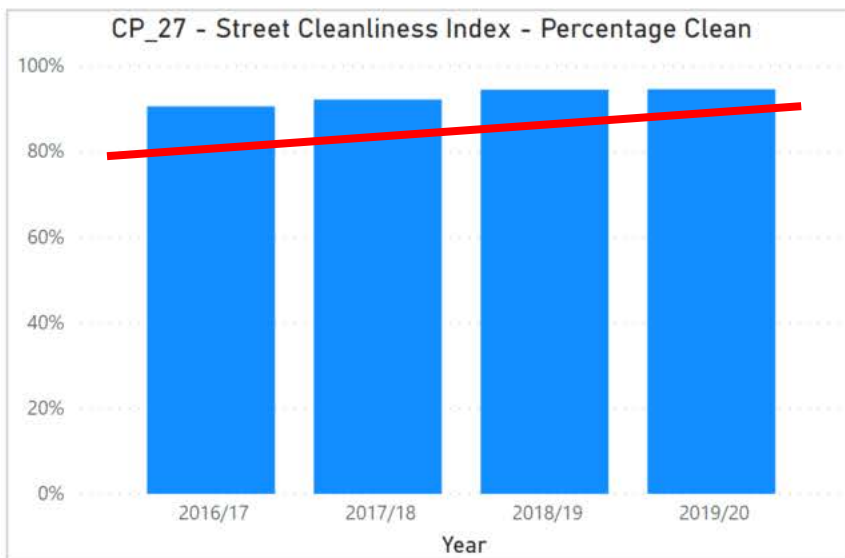
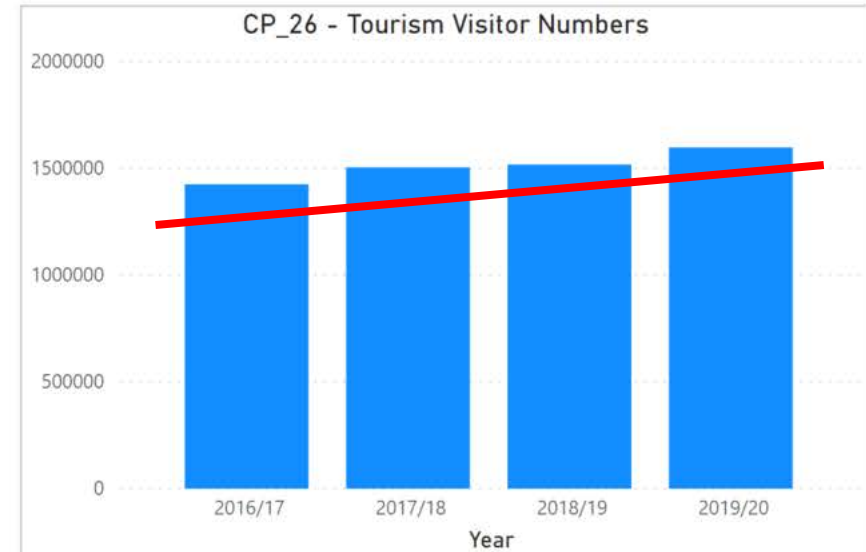
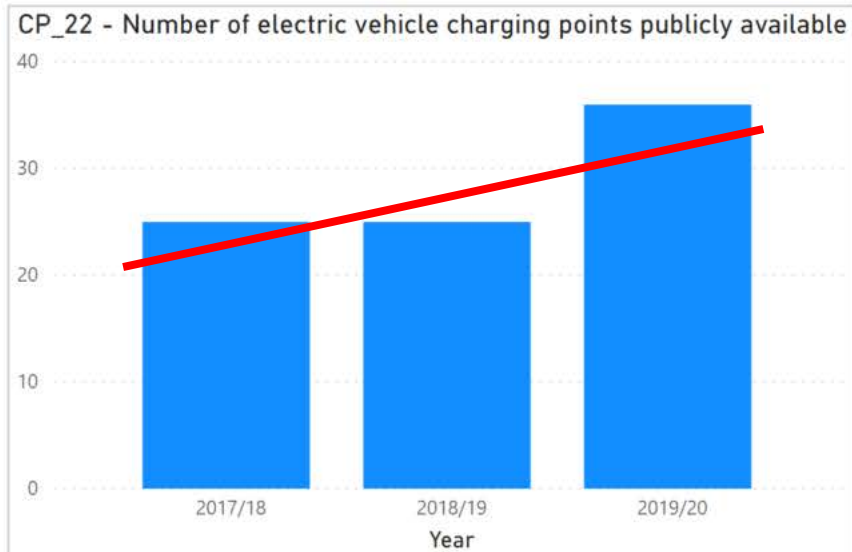
▲ CP_38c - We will deliver cloud-based solutions.

Supplier issues are now resolved. Design of our Customer Relationship Management (CRM) and Implementation of our IT Service Management will take place in 2020/21.

Trend Charts are shown below for Performance Indicators where data is available. Further trends can be found on our website under “North Ayrshire Performs”.

Trendline tracks performance as at Q4 each year.





Best in Class identifies what we do well and where we learn from others to continually improve our performance.

► Sharing Learning

- We were invited to present at a national conference on our approach to delivering an inclusive economy. The Centre for Progressive Policy published a report on 'How to do inclusive growth – a six step programme' which included our Inclusive Growth Diagnostic as best practice.
- The Community Planning Partnership (CPP) have had the opportunity to learn from expert partners about the Community Wealth Building approach.
- The Interim Executive Director of Communities presented the keynote address at the Education Scotland and Scottish Government conference, "Collaborating for Improvement" in January 2020.
- The Interim Executive Director of Communities and Interim Head of Connected Communities and were invited to visit Barking and Dagenham with the Corra Foundation to discuss the Participatory Cities programme, which complements the community wealth building and asset-based approaches.
- A member of staff has completed their secondment from Police Scotland and provided a broader perspective. Another member of staff continues their secondment with the Scottish Fire and Rescue Service.
- Our Analytics Team were visited by Police Scotland, Renfrewshire Council and West Lothian Council to learn about our Power BI set up and how we use our datasets to inform decision making within projects.

► Areas Being Explored

- The Covid-19 pandemic will result in an increase in the amount of data being provided to the Scottish Government and external organisations. We will explore how we can access comparable data as close to real time as possible from neighbouring councils and ideally nationally, to share good practice.

► External Inspections and Self-Assessment Activity

- The latest Road Condition Index report is showing an improvement in Road Condition Index from 38.1% to 37.3%.
- Retained the Excellence Accreditation following an intense external audit process carried out by the Freight Transport Association.
- Ranked as best performer in Scotland in 2019/20 as a Planning Authority.
- Audit Scotland, under the Local Government (Scotland) Act 2003, audit each council to ensure compliance with the principles of Best Value. We were audited during February and March 2020. Findings of the Audit will be published on their website during 2020, after which we will develop improvement plans and actions.



► Accreditations

- Successfully retained the BSI certificate for quality management in the provision of catering and cleaning services (ISO 9001 – 2015) in November 2019.
- Following an audit by the Soil Association Scotland in December 2019, retained the Gold Food for Life Sold Here Standard for all primary schools, all early year's centres and Arran High School. We are the highest accredited authority in Scotland.
- We achieved reaccreditation for the 'Cycle Friendly Employer' Award for both Cunninghame and Bridgegate House.
- The Coding the Future Project made the list for EdTech 50, The EdTech 50 Awards celebrates the use of technology to improve education and learning in the UK education technology sector and the project made the top 50.
- Our Corporate Transport Hub retained their Excellence Accreditation following an intense external audit process carried out by the Freight Transport Association.
- North Ayrshire has had its Fairtrade Zone status renewed for another two years following commitment to the principles of the fair-trade movement. Fairtrade Zone status is awarded to an area which makes a commitment to support and use products with the Fairtrade mark.
- Reaccreditation for Tenant Participation Advisory Service (TPAS) awarded gold for 2019-2022.

What Our Customers Say

This section captures four selected compliments and comments and one complaint and resolution from our residents and businesses who have contacted the us to highlight any issues they are facing.

"I would like to pass on my husband's and my thanks to the call handler. My husband's mother passed away recently, and we came to register her death. Unfortunately, there had been some errors on the death certificate made by the hospital but thanks to the team's perseverance they were able to resolve the problems. Not only were they extremely professional and efficient they showed sympathy and showed genuine care in what is an extremely difficult time, they went above and beyond what we would have expected, and we can't thank them enough."

North Ayrshire Resident

"I would like to take this opportunity to personally thank the staff employed at Bartonholm Recycling Centre. They are very courteous and helped both me and my disabled wife unload our waste materials from our cars. I am able bodied myself but the staff still were more than willing to help me. They are a credit to this public service in which they are employed. Thank-you once again for all your help."

North Ayrshire Resident

"To the good library of Saltcoats, Primary 5 would like to offer a heartfelt thank you for allowing us to use your library. Some children preferred the library to the sea. I can understand why, because your library was beautiful. My favourite bit was the children's area. I loved the reading places. They were very comfortable. I also liked how there were famous books hanging from the roof. The arts and crafts were fun as well. We would like to thank you one more time, just because you really made our trip possible."

North Ayrshire School

"I would like to give my compliments to North Ayrshire Council with regard to my recent allocation from the High Flats in Irvine, from start to finish we have been treated with respect and on the day of moving to our new address the young men who removed our belongings were very helpful and respectful. Thank you North Ayrshire Council."

North Ayrshire Resident

"When you emptied the bins, there was a spillage in the street. Can you please look into this?"

North Ayrshire Resident

"Thanks for letting us know. We have attended the spillage and have removed it. Going forward all waste collection crews will be issued with a brush and shovel to clear up any small spillages that occur and larger spillages will continue to be reported to Streetscene to remove."

North Ayrshire Council Representative

Contact Us

For further information please contact:

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Website: www.north-ayrshire.gov.uk/performance

























Delivering our services with **Focus. Passion. Inspiration.**



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath















































Priority 1. Aspiring Communities

Code & Short Name	2016/17			2017/18			2018/19			2019/20		
	Value	Target	Status	Value	Target	Status	Value	Target	Status	Value	Target	Status
CP_01 % of population who are involved in local decision making (see description)	New measure and baseline established for 2018-19						51%			45.53%	60%	
CP_02 % of Council budget directed via participatory methods	New measure and baseline established for 2018-19						0.62%			1.11%	0.89%	
CP_03 % of residents who agree they have access to opportunities to participate in their local community	New measure and baseline established for 2018-19						30%			47%	47%	
CP_04 - % of children achieving their developmental milestones at the time the child starts primary school	77%			77.2%			78%			Data not currently available	79%	-
CP_05 - Average total tariff score of pupils living in SIMD 30% most deprived areas	697.1	718		709.8	728		638.1	715		Data not currently available	718	-
CP_06 - Average tariff score: All Leavers	875.6	870		880.2	880		780.7	885		Data not currently available	895	-
CP_07 - % of school leavers entering positive destinations	93.4%	95.5%		95.6%	95.4%		94%	95.7%		Data not currently available	96%	-
CP_08 - Children living in Poverty (after housing costs)	NA			29.26%			26.59%			Data not currently available	26.5%	-
CP_09 - Percentage of working age population in employment	64.7%	64.7%		68.2%	64.7%		69.7%	64.7%		70.2%	70%	
CP_10 - % of procurement spent on local enterprises	16.62%			19.75%			17.43%			Data not currently available	23%	-
CP_11 - Percentage of people earning less than the living wage	27.1%			24.3%			24.3%			Data not currently available	24%	-













Code & Short Name	2016/17			2017/18			2018/19			2019/20		
	Value	Target	Status	Value	Target	Status	Value	Target	Status	Value	Target	Status
CP_12 - Percentage of learning disability service users accessing employment support activities	24.3%	30%		24.25%	30%		23.88%	30%		23.84%	30%	
CP_13 - Percentage of children with BMI centile >91 at 27-month review	11%	10.5%		12.65%	10.5%		9.98%	10.5%		13.19%	10.5%	
CP_14 - Number of households in fuel poverty	New measure in 2017/18			30%			26%	26%		28%	25.5%	
CP_15 - Number of attendances at indoor sports & leisure facilities (excluding pools)	1,540,097			1,848,777			1,886,930			1,859,843	1,964,100	
CP_16 - % of people aged 65 and over with long-term care needs who receiving personal care at home	63.87%			65.8%			66.68%	65.6%		Data not currently available	66%	-
CP_17 - Emergency Admissions (Number)				20,724	20,639		20,933	20,257		Data not currently available	20,257	-
CP_18 - of new tenancies to applicants who were assessed as homeless sustained for more than a year	80%	80%		78.28%	81%		81.48%	82%		84.07%	82%	

Priority 2. Inspiring Place

Code & Short Name	2016/17	2017/18	2018/19	2019/20
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	Value	Target	Status	Value	Target	Status	Value	Target	Status	Value	Target	Status
CP_19 - Proportion of operational buildings that are suitable for their current use	91.6%	90%		89.9%	91%		91%	92%		90.91%	93%	
CP_20 - Overall percentage of road network that should be considered for maintenance treatment	38.3%	39.1%		39.1%	39.1%		38.1%	39.3%		37.3%	38.1%	
CP_21 - Proportion of properties receiving superfast broadband	88%			92.35%			93.7%			96.8	97%	
CP_22 - Number of electric vehicle charging points publicly available	New measure in 2017/18			25			25	25		36	30	
CP_23 - Number of new build Council housing units reaching completion (cumulative)	7			232	232		296	296		381	351	
CP_24 - Number of empty homes brought back into use	We are currently developing a more robust reporting process for empty homes. This includes system and process changes to highlight errors and duplication, which may result in minor changes to historically reported figures. We are confident that Housing Services will exceed the target of 600 empty homes brought back into use by 2024.									587		
CP_25 - % of Council dwellings that meet the Scottish Housing Quality Standard	98.67%	93%		99.14%	98.2%		99.19%	99.4%		99.18	99.4%	
CP_26 - Tourism Visitor Numbers	1,426,740			1,506,210			1,519,260			1,599,400	1,534,968	
CP_27 - Street Cleanliness Index - % Clean	90.6	96.5		92.2	94		94.5	94		94.6	94	
CP_28 - Hectares of vacant & derelict land in North Ayrshire	New measure in 2017/18			1,294			1,279	1,269		1,180	1,244	
CP_29 - Overall carbon emissions (tonnes)	47,076	54,283		43,756	50,198		40,666	45,137		37,508	39,320	
CP_30 - Total installed capacity of low carbon heat and electricity generation across the Council's estate	New measure in 2017/18			9,029	9,000		9,682	9,600		9,700	9,700	
CP_31 - % of total household waste that is recycled (calendar year as per SEPA)	55.31%	56%		55.8%	54.5%		54.6%	54.5%		56.3%	59%	

Priority 3. A Council for the Future


















Code & Short Name	2016/17			2017/18			2018/19			2019/20		
	Value	Target	Status	Value	Target	Status	Value	Target	Status	Value	Target	Status
CP_32 - Percentage of Customers delighted with the overall Customer Service	77%	77%		84%	77%		81%	77%		81%	77%	
CP_33 - % of Self-Service Transactions	24.43%	22%		36.7%	30%		40.09%	35%		41.26%	40%	
CP_34 - Staff Engagement Level - Council Wide	69.6%	65%		71.2%	70%		71.2%	70%		70.67%	70%	

Council Plan 2019-24 Actions


Quarter Four 2019-20


Priority 1. Aspiring Communities	Status
Local Outcome 1. North Ayrshire will have active and strong communities	
CP_01a We will establish an Engagement and Consultation Centre of Excellence for North Ayrshire to develop ways to explicitly involve communities in our work.	
CP_01b We will continue to lead and extend the locality planning approach within the CPP, focusing on inequalities.	
CP_01c We will refresh the Young People's Citizenship and Participation Strategy to deepen their relationship with and increase their influence on the work of the Council.	
CP_01d We will implement the Tenant Participation Strategy 2017-2022, building on our approach to involving under-represented groups and ensuring our tenants' views are used to shape future service delivery.	
CP_02a We will draft, consult on and finalise the Local Charter.	
CP_02b We will develop local agreements, linked to Locality Plans.	
CP_03a We will extend and mainstream our participatory approach to offer communities, including young people, more opportunities to lead in local decision-making.	
CP_03b We will pilot and implement the use of the Scottish Government Consul platform to increase participatory approaches across the Council and communities.	
CP_03c Implement the Health and Social Care Partnership (HSCP) Participation and Engagement Strategy.	
CP_04a We will identify and develop a network of community hubs, to provide timely and preventative local access to information and support.	
CP_04b We will create local community signposts and directories to enable and promote community opportunities and access to services.	
CP_04c HSCP Locality Planning Forums will be more active in listening to communities by holding public events and using websites and social media to share information.	
Local Outcome 2. North Ayrshire children and young people experience the best start in life	
CP_05a In 2019/20 we will create high quality indoor and outdoor learning environments that are fit for the purpose of delivering 1140, starting in Blacklands Primary School, St Luke's Primary School Castlepark Early Years Centre, Caledonia Primary School and Hayocks Primary School.	
CP_05b We will build strong, collaborative partnerships across all funded providers and child minders that support a "provider neutral," high-quality service for children and families.	
CP_06a We will continue to design and implement programmes to achieve excellence and equity for our learners, with a clear focus on reducing the poverty-related attainment gap.	
CP_06b We will improve the attainment and achievement of our children and young people through high quality learning and teaching in our schools.	
CP_06c We will ensure our children and young people are equipped with the right skills for learning, life and work and that high numbers of our school leavers are entering positive and sustained post-school destinations.	
CP_06d We will develop continuous professional learning pathways that build the capacity of our staff and create future leaders of service delivery and learning, that ensure high quality experiences and the best possible outcomes for children and their families.	
CP_07a We will implement a refreshed Parental Engagement Policy across the education service.	

CP_07b We will build on our well-established programmes to support families with their child's learning.	●
CP_07c We will ensure our children, young people, staff and communities are empowered to shape the education service in our schools.	●
CP_07d We will develop and build our Champions' Board to ensure young people with care experience have their voices heard.	●
CP_08a We will develop a coherent mental health strategy in partnership with other agencies.	●
CP_08b We will continue to extend our nurturing approaches and access to counselling in our schools.	●
CP_08c We will focus on promoting positive relationships within our school communities	●
CP_08d We will develop locality-based HSCP Early Years Leadership Teams to identify local early years priorities	●
Local Outcome 3. North Ayrshire is an inclusive, growing and enterprising local economy	
CP_09a We will work in partnership to develop an Ayrshire Regional Skills Investment Plan.	▲
CP_09b Based on the findings of the innovative Inclusive Growth Diagnostic, we will continue to deliver inclusive growth by designing and implementing Phase 2 of European Social Fund including a new supported employment service.	●
CP_09c We will deliver a new Foundation Apprenticeship programme alongside our existing Modern Apprenticeship programme.	●
CP_09d We will continue to deliver support through our Employability Hubs.	●
CP_09e Working in partnership, we will design Ayrshire Growth Deal regional skills and inclusion programmes.	●
CP_10a We will continue to offer digital access and support through libraries and community centres.	●
CP_10b We will work in partnership to design our Ayrshire Growth Deal £3m digital infrastructure project.	▲
CP_11a We will continue to deliver the innovative Team North Ayrshire Approach to business support.	●
CP_11b We will review how we can maximise our relationship with national and regional enterprise partners as part of the new Ayrshire Regional Economic Partnership.	●
CP_12a We will promote fair employment through Ayrshire Growth Deal inclusive growth action plan.	●
CP_12b We will promote our role as an accredited Living Wage Employer.	●
CP_13a We will work with the Centre for Local Economic Strategy (CLES), we will undertake a local wealth building diagnostic for North Ayrshire on the five pillars of CWB:	●
CP_13b We will work with East and South Ayrshire to co-design the £3m Ayrshire Growth Deal Community Wealth Building Fund with the Scottish Government, informed by North Ayrshire's work with CLES.	●
Local Outcome 4. North Ayrshire residents and communities enjoy good life-long health and wellbeing	
CP_14a We will submit an interim report on the feasibility of Scottish Basic Income pilots to Scottish Government in September 2019.	●
CP_14b We will share learning from commissioned research, including interactions between basic income and social security, and modelling of the potential economic impacts of a basic income in Scotland.	▲
CP_14c We will produce and submit a full business case on the feasibility of Scottish Basic Income pilots to Scottish Government in March 2020.	▲
CP_15a We will encourage communities to seek the correct health professional (dentist, GP, Pharmacist, optometrist) for their health concern advice.	●


CP_15b We will help individuals to have better choice and control of their support at an early stage by reinvigorating Self-Directed Support and the HSCP charging policy.	
CP_15c We will review the role of assistive technology in our new build Council housing and share our learning with Registered Social Landlord partners.	
CP_16a We will provide opportunities for people to be more active more often, through the Active Communities Strategy.	
CP_16b We will work with Scottish Government as a trailblazer site for the whole systems approach to diet and healthy weight (public health priority).	
CP_16c We will work with communities to provide opportunities for participation, volunteering and employment through physical activity and sport.	
CP_16d We will improve emotional and mental health and wellbeing through physical and social participation in community activities, including for young people.	
CP_16e We will provide more community link workers in GP practices to enable access to a wider range of local supports.	
CP_16f We will place Mental Health Practitioners into GP practices to offer triage calls, urgent and routine face to face assessments as well as directing patients to the most appropriate support without unnecessary referrals to mental health services.	
CP_16g We will facilitate access to an online CBT (Cognitive Behavioural therapy) model for those with low mood and anxiety and depression.	
Local Outcome 5. North Ayrshire residents and communities are safe	
CP_17a We will further roll out the 24hr, 7day per week, Police Triage Pathway within the Crisis Resolution Team (CRT) to help prevent hospital admission and timely access to the right person at the right time.	
CP_17b We will continue to provide a Mental Health practitioner in Ayrshire College campuses.	
CP_17c We will establish a Drug death prevention group.	
CP_17d We will roll-out the Child and Adult Mental Health Service (CAMHS) wellbeing model piloted in Kilwinning locality to all localities.	
CP_17e We will develop and implement the Community Safety Strategy 2019-2024 along with our Community Planning partners.	
CP_17f We will undertake a review of our CCTV service and identify opportunities to invest in new technology to improve community safety and increase crime prosecution rates.	
CP_18a We will implement a 'Housing First' approach in our provision of homelessness services, providing mainstream, settled accommodation for our tenants as quickly as possible.	
CP_18b We will further improve support to young people to enable them to sustain their tenancies.	

Nine actions are adrift of target within the **Aspiring Communities** priority. These are detailed below.

CP_06b We will improve the attainment and achievement of our children and young people through high quality learning and teaching in our schools.			
Exp Outcome	Progress	Latest Note	Due
	90%	2019/20 - Quarter Four Update: The Literacy Strategy is now complete following consultation with young people, staff and senior leaders. Work to support establishments in the full implementation of this strategy continues. The Professional Learning Academy (PLA) completed the professional learning menus for the new session and these were shared with Heads of Establishments.	31-Mar-2020


CP_09a We will work in partnership to develop an Ayrshire Regional Skills Investment Plan.			
Exp Outcome	Progress	Latest Note	Due
	20%	2019/20 - Quarter Four Update: Skills Development Scotland (SDS) are leading the preparation of the Regional Skills Investment Plan (RSIP). SDS are also actively contributing to the development of the Regional Economic Strategy, which will provide a long-term strategic approach to the Ayrshire economy. This is at an advanced stage and once completed the RSIP can be progressed.	31-Mar-2020

CP_10b We will work in partnership to design our Ayrshire Growth Deal £3m digital infrastructure project.			
Exp Outcome	Progress	Latest Note	Due
	90%	2019/20 - Quarter Four Update: Outline business cases have been prepared and submitted to UK / Scottish Governments and Growth Deal agencies for both elements of the digital infrastructure growth deal programme, and feedback from government policy leads has been taken on board to date for the Ayrshire Growth Deal, and the cases are currently awaiting sign-off through the conclusion of Ayrshire Growth Deal funding documents.	31-Mar-2020


CP_14b We will share learning from commissioned research, including interactions between basic income and social security, and modelling of the potential economic impacts of a basic income in Scotland.			
Exp Outcome	Progress	Latest Note	Due
	75%	2019/20 - Quarter Four Update: Due to a delay in feedback on the interim feasibility report from Scottish Government, there	31-Mar-2020

was a delay to the completion of the commissioned economic modelling. The economic modelling work was reported to the Steering Group in March 2020. An official report on the research will be published and shared by Fraser of Allander Institute alongside the release of the Final Report on the Feasibility Study.

CP_14c We will produce and submit a full business case on the feasibility of Scottish Basic Income pilots to Scottish Government in March 2020.


Exp Outcome	Progress	Latest Note	Due
	75%	2019/20 - Quarter Four Update: The Final Report is complete and has been peer reviewed, receiving very positive feedback. The report was due to be submitted to a meeting of the national Citizens Basic Income Councillor Group organised for the 26 March and was due to be launched at an event in early June. Due to the current social distancing measures as part of Covid-19 the approval route for the report has been disrupted. The Steering Group are working to virtually share the final report with the Councillor Group to receive their feedback and will then revisit a revised timeline for Council approval ahead of submission to Government Ministers.	31-Mar-2020

CP_15b We will help individuals to have better choice and control of their support at an early stage by reinvigorating Self-Directed Support and the HSCP charging policy.


Exp Outcome	Progress	Latest Note	Due
	40%	2019/20 - Quarter Four Update: The contract for the Pan Ayrshire Information and Advice Service has been awarded. Our audit of Self-Directed Support has been completed and the improvement actions will be taken forward with the support of our Transformation Team. We continue to progress our Self-Directed Support Action Plan. The Fairer Access to Community Care Services is now ready for consultation. Children with Disability and Services working group are reviewing the Direct Payment Policy and processes.	31-Mar-2020

CP_16f We will place Mental Health Practitioners into GP practices to offer triage calls, urgent and routine face to face assessments as well as directing patients to the most appropriate support without unnecessary referrals to mental health services.


Exp Outcome	Progress	Latest Note	Due
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	70%	2019/20 - Quarter Four Update: The roll out of Mental Health Practitioners into GP practices is ongoing and will continue when further funding is secured. Recruitment of qualified staff has taken longer than expected due to national shortages. The Occupational Therapist service is providing positive outcomes.	31-Mar-2020
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CP_17d We will roll-out the Child and Adult Mental Health Service (CAMHS) wellbeing model piloted in Kilwinning locality to all localities.

Exp Outcome	Progress	Latest Note	Due
	75%	2019/20 - Quarter Four Update: In light of the publication of a National Specification for Child & Adolescent Mental Health Services being published in February by the Scottish Government, the roll out of the model in its current format is being revised. Further updates will be forthcoming	31-Mar-2020

CP_18b We will further improve support to young people to enable them to sustain their tenancies.


Exp Outcome	Progress	Latest Note	Due
	75%	2019/20 - Quarter Four Update: Pilot on hold. Support provision is limited to telephone only from Housing Support officer due to COVID-19 pandemic; all SQA / CEIS courses suspended.	31-Mar-2020


Priority 2. Inspiring Place		Status
Local Outcome 1. North Ayrshire is well-connected with effective infrastructure		
CP_19a We will support the development of the Ayrshire Regional Transport Appraisal.		
CP_19b We will implement active travel and transport projects including the promotion of strategic active travel projects with partners including Sustrans and Strathclyde Partnership for Transport.		
CP_19c We will develop and implement an Electric Vehicle Strategy and work in partnership with government agencies to deliver further electric charging infrastructure throughout North Ayrshire.		
CP_19d We will further develop Sustainable Business Travel arrangements for our employees & reduce grey fleet business mileage.		
CP_20a We will agree a package of funding with partners to ensure the long-term resilience of Ardrossan Harbour.		
CP_20b We will promote the nationally significant infrastructure at Hunterston.		
CP_20c We will ensure the resilience of our road network and associated infrastructure through a robust Roads Asset Management Plan.		
CP_21a We will support the implementation of R100 to ensure super-fast broadband access to 100% of premises in North Ayrshire.		
CP_21b With partners we will support the development of proposals for an £11m investment for a subsea fibre optic cable with a landing point at Irvine.		
CP_22a We will manage our assets effectively by: maximising the efficiency of our property estate; rationalising surplus assets; increasing occupancy levels and income within the Council's commercial estate and; measuring and improving the condition.		
CP_22b We will implement a range of energy efficiency measures to non-domestic Council buildings, reducing carbon emissions and providing revenue savings.		
CP_23a With partners we will finalise Full Ayrshire Growth Deal agreements with UK and Scottish Government.		
CP_23b We will develop a new, ambitious NA Regeneration Plan.		
CP_23c We will progress and develop business cases for each of our AGD projects and key development sites and do this in collaboration with key stakeholders to maximise investment and outcomes.		
CP_23d We will develop major regeneration projects at our key development sites and maximise use of Vacant and Derelict Land Funds.		
CP_23e We will adopt and implement Local Development Plan Two.		
CP_24a We will work with communities and through Locality Partnerships to raise awareness of and support Community Asset Transfers.		
CP_24b We will engage with Locality Planning Partnerships to improve alignment of community planning and spatial planning.		
CP_24c We will look to encourage and support community regeneration projects linked to Regeneration Capital Grant Fund and Town Centre Fund.		
Local Outcome 2. North Ayrshire residents have homes and houses that meet their needs		
CP_25a We will build a total of 1,732 new homes by March 2024, with 384 Council homes completed by March 2020.		
CP_25b We will work with partners to ensure we develop, as far as possible, homes for life.		
CP_25c We will build two new 'sustainable demonstrator' homes to showcase our aspirations for sustainable living.		
CP_26a We will develop a strategy for the promotion of housing development on strategic regeneration sites, to stimulate development.		
CP_26b We will deliver an alternative affordable housing model – HOME – in one of our most pressured localities.		
CP_26c We will develop an initial pilot site for self-build, including the provision of infrastructure.		

CP_27a We will help private sector residents to improve the condition of their homes by implementing the actions within the North Ayrshire Scheme of Assistance.	●
CP_28a We will develop a White Label energy product.	●
Local Outcome 3. North Ayrshire is a vibrant, welcoming and attractive environment	
CP_29a We will seek opportunities to develop affordable housing in our town centres through our Strategic Housing Investment Plan.	●
CP_29b We will deliver the actions arising from the Open Space Strategy and the Litter, Fly Tipping and Dog Fouling Prevention Strategy.	●
CP_29c We will develop Decriminalised Parking Enforcement to manage town centre traffic.	●
CP_30a We will purchase empty homes through our Strategic Housing Investment Plan and bring them back into the affordable housing supply.	●
CP_31a We will engage with tenants and empower them to make decisions about improvement projects in their local neighbourhoods, through our Estate-based Regeneration Programme and Tenant-led Budgets.	●
CP_31b We will embed a participatory approach for grounds maintenance through locality partnerships.	●
CP_32a We will work with the local Millport community to help develop a proposal for a marina facility.	●
CP_32b We will work with partners to identify priorities to develop the tourist experience.	●
CP_32c We will work with partners to deliver a comprehensive programme of events for 2020 Year of Coasts and Waters.	●
CP_32d We will work with Clyde Islands to develop a major initiative to attract new significant investment to our islands.	●
Local Outcome 4. North Ayrshire is a sustainable environment	
CP_33a We will implement actions within the Zero Waste Strategy which will incorporate the implementation of enhanced waste and recycling services and move towards becoming a 'Plastic Free Council' by reducing use of single use plastic.	●
CP_34a We will develop two further district heating schemes in new housing developments as part of our Strategic Housing Investment Plan.	●
CP_34b We will develop the business case for a large-scale district heating scheme in Central Irvine.	●
CP_34c We will continue to implement a programme of retrofit solar panels on our Council housing.	●
CP_35a We will develop and deliver required flood protection schemes for the Upper Garnock Valley and Millport and complete studies of areas identified as potentially vulnerable to flooding in line with the approved Flood Risk Management Strategy and Action Plan.	●


Four actions are adrift of target within the **Inspiring Place** priority. These are detailed below.

CP_19a We will support the development of the Ayrshire Regional Transport Appraisal.			
Exp Outcome	Progress	Latest Note	Due
	40%	2019/20 - Quarter Four Update: Transport Scotland has prepared a draft report on the Case for Change for the Ayrshire Region as part of the Strategic Transport Projects Review 2 (STPR2). This is currently subject to public consultation; the deadline has been extended because of the current pandemic. A revised programme will be developed for STPR2 and issued by Transport Scotland in due course. Discussions on the development of a regional appraisal will recommence thereafter.	31-Mar-2020

CP_20a We will agree a package of funding with partners to ensure the long-term resilience of Ardrossan Harbour.			
Exp Outcome	Progress	Latest Note	Due
	90%	2019/20 - Quarter Four Update: A preferred option for the reconfiguration of Ardrossan Harbour has been identified by the Ministerial Task Force. Exemplar designs are in place for both the marine and landside works at the harbour. An announcement on the funding package for the investment required will be made when an appropriate funding/legal agreement is in place between Peel Ports Group/North Ayrshire Council and Transport Scotland. This should allow construction works to commence in early 2021.	31-Mar-2020

CP_22b We will implement a range of energy efficiency measures to non-domestic Council buildings, reducing carbon emissions and providing revenue savings.			
Exp Outcome	Progress	Latest Note	Due
	90%	2019/20 - Quarter Four Update: All sites have completed their initial Measurement and Verification period and have been analysed by verification specialists, EEVS (Energy Efficient Verification Specialists). Various Energy Conservation Measures are reporting under-performance and are being investigated to identify possible solutions. Once remedial works have been completed, a further 3-month measurement and verification will be agreed to ensure energy savings are achieved.	31-Mar-2020

CP_26b We will deliver an alternative affordable housing model – HOME – in one of our most pressured localities.

Exp Outcome	Progress	Latest Note	Due
	60%	2019/20 - Quarter Four Update: We are currently considering a number of options for the HOME model in light of Scottish Water drainage restrictions which will significantly reduce the site capacity. The design team are working on ways to overcome this challenge.	31-Mar-2020

Priority 3. A Council for the Future			Status
Local Outcome 1. North Ayrshire puts residents and communities at the heart of what we do			
CP_36a	We will involve communities in the co-production of local services which suit their needs, including through debates on Consul to co-design partnerships.		
CP_36b	We will continue to work with CPP partners across the whole system to plan and design services which meet the needs of residents.		
CP_37a	We will identify opportunities for more integrated service delivery through implementation of the Council's Medium-Term Financial Planning Framework.		
CP_38b	We will undertake a Council-wide review of business application software.		
CP_38c	We will deliver cloud-based solutions.		
CP_38d	We will support service redesign through digital and technology workstreams such as Mobilisation.		
CP_38e	We will update the Council's technology infrastructure.		
CP_38f	We will ensure that access to digital services is available in communities through libraries and community facilities.		
CP_38g	We will mobilise our frontline services through the use of new digital technology in Roads, Streetscene and Waste.		
Local Outcome 2. A powerful and respected voice			
CP_39a	We will work with partners to develop an ambitious new regional economic strategy for Ayrshire.		
Local Outcome 3. North Ayrshire maximises resources and provides value for money			
CP_40a	Implement the current transformation programme and work with the Think Tank to develop a pipeline of initiative.		
Local Outcome 4. North Ayrshire has a valued workforce that delivers high quality services			
CP_41a	We will strengthen leadership across the Council.		
CP_41b	We will involve our workforce in transforming how we work.		
CP_41c	We will support our people to develop, perform and thrive.		

One action is adrift of target within the **Council for the Future** priority. This is detailed below.

CP_38c We will deliver cloud-based solutions.			
Exp Outcome	Progress	Latest Note	Due
	50%	2019/20 - Quarter Four Update: Supplier issues are now resolved. Design of our Customer Relationship Management (CRM) and Implementation of our IT Service Management will take place in 2020/21.	31-Mar-2020

NORTH AYRSHIRE COUNCIL
29 September 2019**Audit and Scrutiny Committee**

Title: 2019/20 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 2019/20.

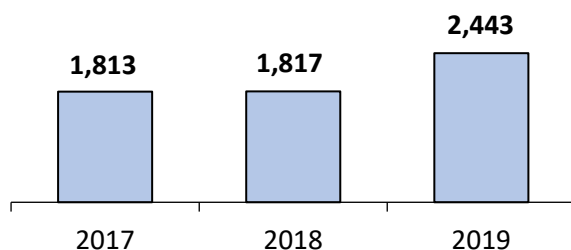
Recommendation: That the Committee notes the report and the information provided.

1. Executive Summary

- 1.1 This report details complaint information relating to North Ayrshire Council during 2019/20, covering the period 1 April 2019 to 31 March 2020.
- 1.2 In order to allow comparisons the report details complaint data covering 2017 and 2018.
- 1.3 Performance is measured through a number of Scottish Public Services Ombudsman (SPSO) performance indicators, some of which have national targets.

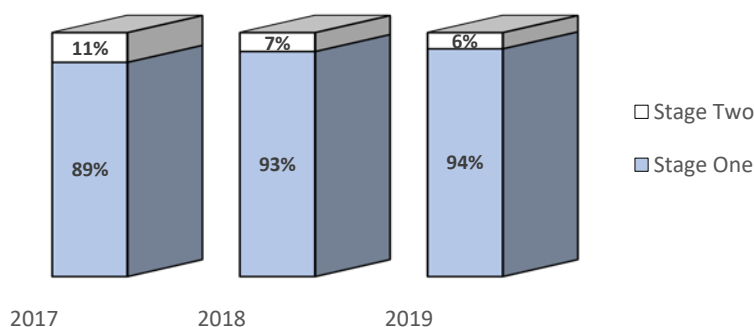
2. Background

- 2.1 This section contains statistical information and commentary on some of the key complaint performance indicators devised by the SPSO in conjunction with all 32 Scottish councils. More information relating to all the indicators can be found in the attached report.

2.2 Volume of complaints received and closed

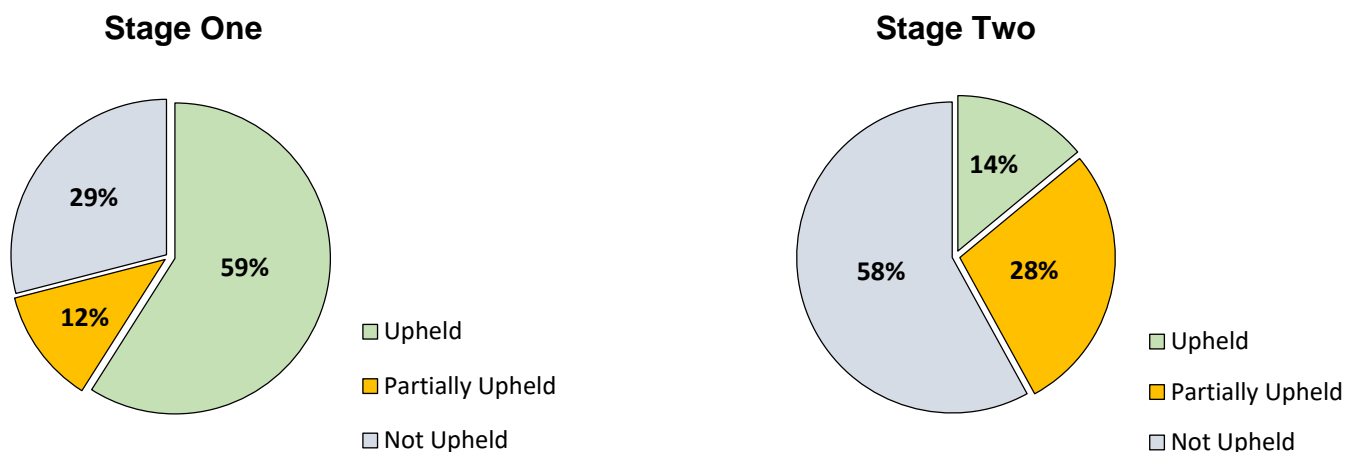
- 2.2.1 A higher volume of complaints was received in 2019/20 compared to the previous year but there are valid reasons for this. More details can be found in the attached report.
- 2.2.2 Whilst complaint volumes are recorded the key point is to ensure lessons are learned as a result of complaints in order to prevent reoccurrence.

2.3 Complaints closed at each Stage



2.3.1 Whilst there is no national target for the number of complaints to be closed under each Stage, the Council always seeks to maximise closure at Stage One as complainants receive a quicker resolution than under Stage Two and reduces the impact on complaint handlers' time and the possibility of SPSO referrals.

2.4 Complaint outcomes



2.4.1 Upheld complaints are those where the Council has had to take action to address or fix something. Partially Upheld complaints are complaints that have more than one complaint element where at least one of them was upheld.

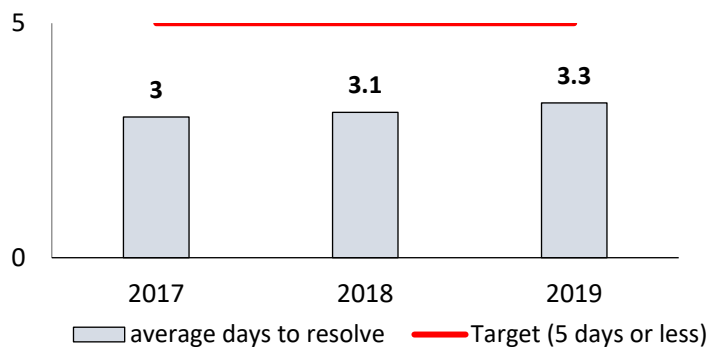
2.4.2 Analysis shows the majority of complaints received during the year related to Waste Services (primarily missed bins and assisted pullouts) but it should be noted that the Service empty over 102,000 household waste bins each week. As this equates to approximately 5 million collections each year, from a complaint perspective this means there were 0.03% complaints relating to waste collection, which is a very small complaint rate. Nonetheless, the service is developing an improvement plan to address missed collections and assisted pull-outs, including the use of technology to verify genuine missed collections (as opposed to occasions where the householder has not presented the bin on time).

It should also be noted that the Service closed 93% of complaints on time during the year, which is a notable achievement given the changes to policy and kerbside collections from 1 April 2019 resulted in a significant uplift in complaints (compared to the previous year) but did not have a material impact on the Service's complaint handling performance. The attached report provides further information.

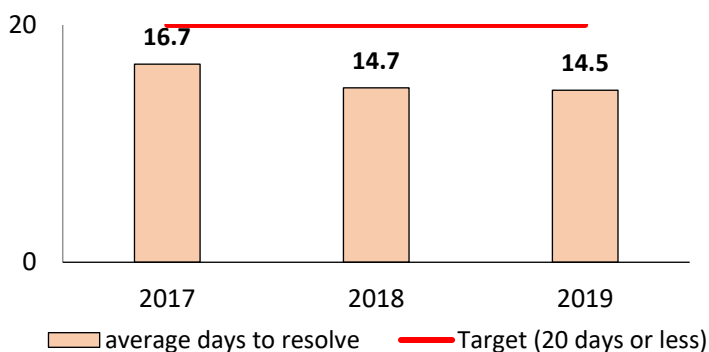
2.4.3 Complaints that were not upheld related to policies, regulations, poor quality complaint submissions or complaints that were proven to be unfounded.

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

Stage One

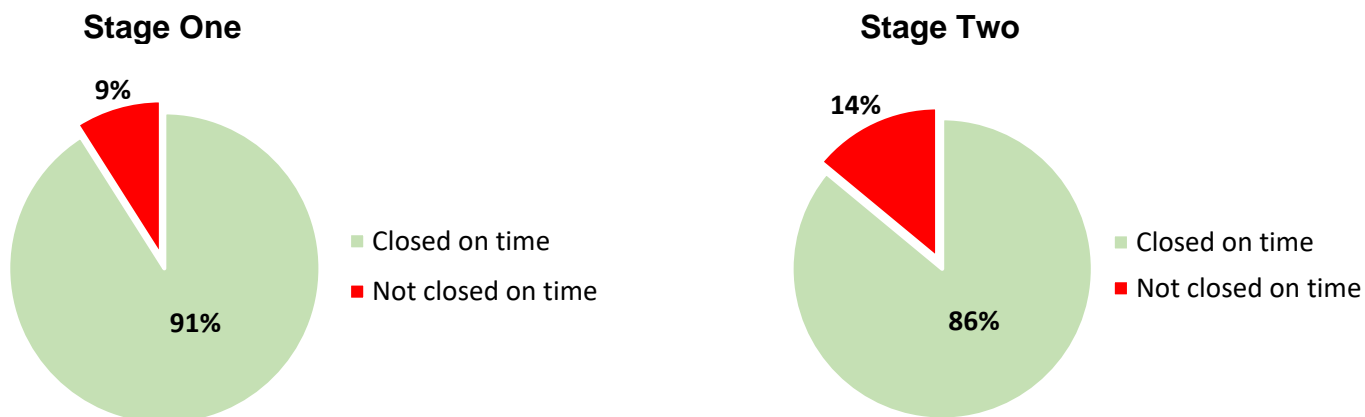


Stage Two



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

2.6 ***Complaints closed within timescale***



2.6.1 The national target for complaints closed under Stage One is 80% or above and the target was exceeded.

2.6.2 The national target for complaints closed under Stage Two is 85% or above and again the target was exceeded.

2.6.3 Complaints that did not meet timescale were due to several factors and extensions could have been approved for some of these. Further details of complaints not closed on time are contained in the attached report.

2.7 ***Complaint timescale extensions***

2.7.1 Stage One complaints should be responded to within 5 working days but we can extend them an additional 5 working days (10 if the complaint relates to Social Work) under certain circumstances. Stage Two complaints should be responded to within 20 working days but again Services can extend the timescale of these to a date in the future if certain circumstances are met.

2.7.2 A total of 80 complaints had their timescales extended during the year and half were Stage Ones. Reasons for extension included complainants being unavailable to assist with investigations, information awaited from third parties to support investigations and the complexity of the complaints.

2.8 ***Trends identified from upheld/partially upheld complaints***

2.8.1 Key complaint topics for upheld or partially upheld complaints within some Services are noted in page 10 of the attached report.

2.8.2 Employee actions appears as a key topic but the definition is broad and can be used where complainants perceive employee actions or behaviour to be unacceptable. Where any unacceptable behaviour is identified, appropriate action will have been taken to address this.

2.9 *Changes or Improvements made as a result of complaints*

2.9.1 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 made in some Services as a result of complaints received during the year and a selection are noted in page 15 of the attached report.

2.9.2 The Council received 400 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.

3. **Proposals**

3.1 It is proposed the Committee approves the report and recognises NAC performance in relation to the information listed in Section 2 above.

4. **Implications**

Financial:	None
Human Resources:	None
Legal:	None
Equality:	None
Children and Young People:	None
Environmental & Sustainability:	None
Key Priorities:	<p>The Two Stage CHP supports the Council's key priority of delivering more effective and efficient service provision.</p> <p>Timely reports are produced with the focus on determining trends and service improvements.</p> <p>Support and guidance from the Complaint Manager ensures greater consistency in complaint handling, improvements in response times and a reduction in duplication of effort.</p>
Community Benefits:	The Two Stage CHP demonstrates a commitment to improve service delivery for North Ayrshire residents, customers and visitors.

5. Consultation

- 5.1 A working group comprising officers from a number of Scottish Local Authorities is producing a standard Complaint Handling Satisfaction Survey that Councils can issue to complainants to capture their views and feedback on how their complaints are handled. As this piece of work is currently suspended due to the Covid-19 outbreak any update on progress will be provided in the 2020/21 half yearly complaint report.

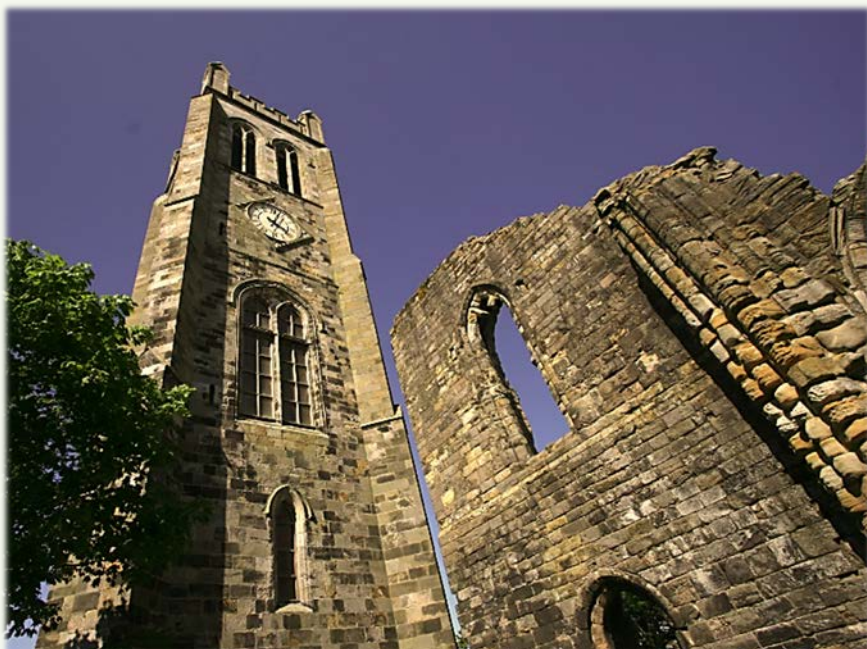
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Insert Director's title

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

Background Papers



2019 20 Complaint
Report.docx



Complaint Report 2019/20



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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 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:-

1

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.

2

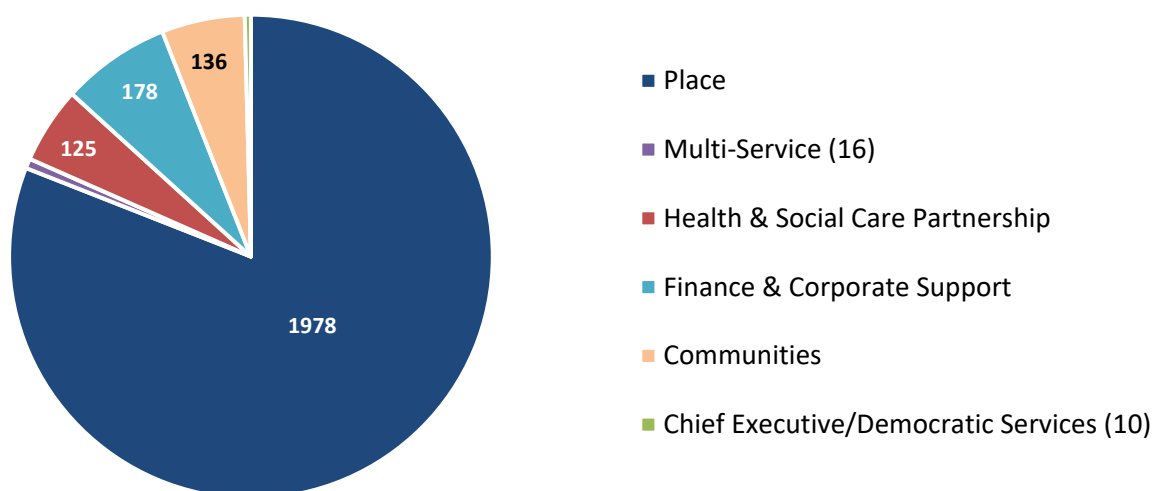
Stage Two complaints (also known as *Investigations*) are complaints the Council are typically unable to resolve at Stage One and need more time to carry out further investigation. This may be because the nature of the complaint is complex, serious or high risk. The Council has up to 20 working days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

This report details the Council's complaint handling performance covering financial year 2019/20 (1 April 2019 to 31 March 2020) and is referred to in the report as 2019. 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.

1 Volume of complaints closed

2,443 complaints were closed during the year and the chart below provides a breakdown per Directorate:



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

Place	Stage One	Stage Two
Building Services	255	1
Employability	1	
Facilities Management	22	
Housing	94	16
Planning	3	2
Property Management & Investment	88	7
Protective Services	3	
Regeneration	1	
Roads	45	1
Streetscene	133	1
Transport	1	1
Waste Services	1,299	4
Total	1,945	33

Multi-Service	Stage One	Stage Two
Complaints involving more than one service	6	10
Total	6	10

Health & Social Care Partnership	Stage One	Stage Two
Children, Families & Criminal Justice	26	16
Health & Community Care	31	36
Mental Health	2	9
Support Services	4	1
Total	63	62

Finance & Corporate Support	Stage One	Stage Two
Benefits	17	
Customer Services	141	7
HR	1	
Revenues	2	2
Transformation	8	
Total	169	9

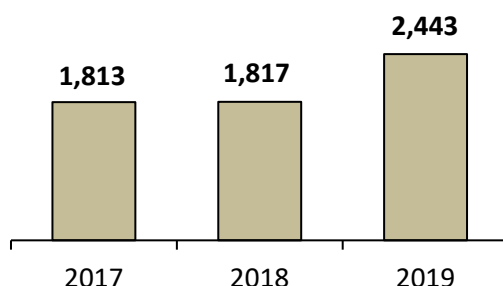
Communities	Stage One	Stage Two
Community Facilities	4	
Education (HQ)	44	17
Education (Schools)	59	7
Information and Culture	5	
Total	112	24

Chief Executive/Democratic Services	Stage One	Stage Two
Information Governance		1
Legal	7	2
Total	7	3

- 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 94% were handled at this Stage during the period. This indicates the majority of complaints received were straightforward to resolve or non-complex in nature.
- The majority of Stage One complaints were handled by Commercial Services within the Place Directorate.
- Some Services handled all the complaints they received at Stage One.
- In Education, Stage One complaints are normally handled by schools and if complainants remain unhappy with the resolutions the complaints are escalated to Stage Two and handled within Education HQ by Senior Managers. The reason there was a higher than expected volume of Stage One HQ complaints during the year is because most related to school employees and such complaints must be handled by Senior Managers from the outset.
- Multi-Service complaints have a table of their own given they relate to multiple departments and so cannot be attributed to one Service.

Year on Year comparison

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



The table below shows the volume breakdown for each Directorate over the three years:

Directorate	2017	2018	2019	Variance (2018 – 2019)
Chief Executive/ Democratic Services	6	7	10	neg.
Communities	149	185	136	-26%
Finance & Corporate Support	279	268	178	-33%
HSCP (Social Work complaints)	127	122	125	neg.
Place	1,237	1,235	1,978	+60%
Total	1,798*	1,817	2,427**	+34%

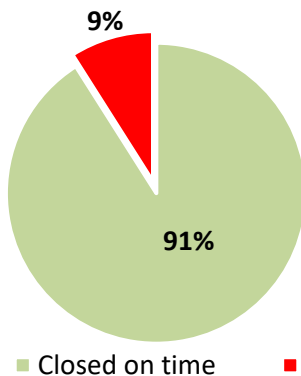
*15 complaints are missing from the 2017 volume as they related to a decision made by Elected Members

** Multi-Service complaints have been excluded from the 2019 volume to allow for true comparisons

- The 60% increase in complaints for Place is due to a rise in complaints being received within Waste Services (up from 640 in 2018 to over 1,300 in 2019). The increase was anticipated as changes were made to the collection service from 1 April 2019 resulting in an uplift in complaints as the changes were embedded. Changes included the introduction of a new bin to increase recycling and reduce the amount of waste unnecessarily sent for disposal as well as collection frequencies for certain bin colours changing from fortnightly to three-weekly.
- Two Directorates saw a sizable reduction in complaints received when comparing 2019 with 2018.

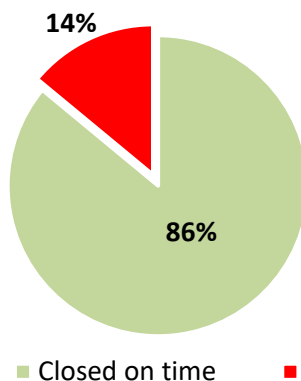
2 Volume of complaints closed on time at both Stages

Stage One



- The national target for closing Stage One complaints on time is 80% and above.
- The volume closed on time includes extended complaints that met their new due dates*.

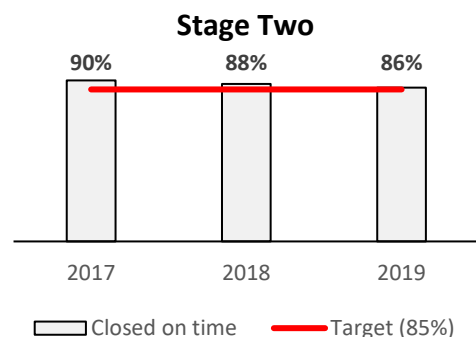
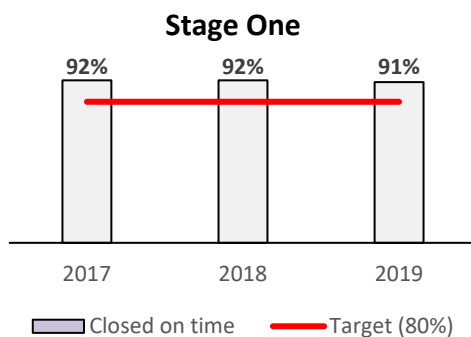
Stage Two



- The national target for closing Stage Two complaints on time is 85% and above.
- The volume closed on time includes extended complaints that met their new due dates**.

Year on Year comparison

The graphs below show the volume of complaints closed on time under both Stages over the last three years have remained consistent.



* Stage One complaints can be extended an additional 5 working days (10 if they relate to social work)

** Stage Two complaints can be extended to any agreed date in the future

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

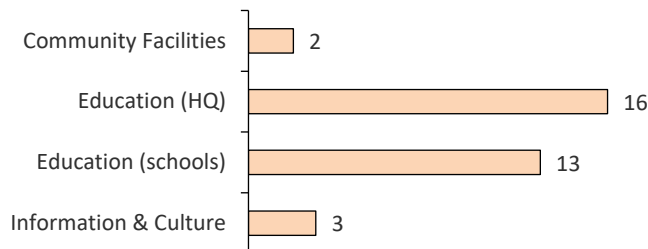
Notes

Democratic Services



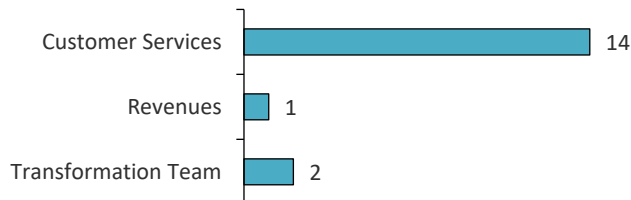
A Licencing complaint breached timescale due to a misunderstanding over the due date. The complaint was subsequently closed just beyond the 5 working days timescale.

Communities



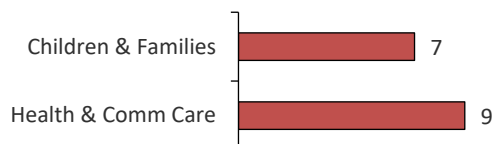
For Education-related complaints, reasons recorded for breaching the 5 working day timescale included school staff being unavailable to progress complaints as parents were unavailable and schools being closed for holidays. Some of these complaints could have been considered for extension.

Finance & Corporate Support



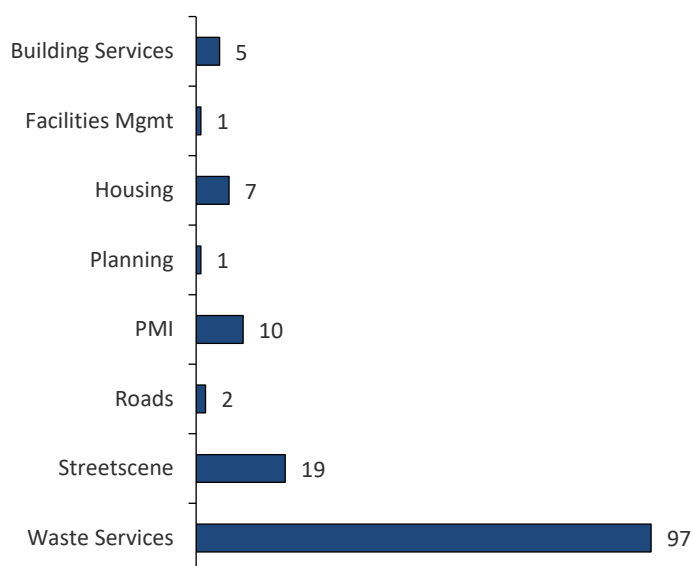
Some complaints in the Directorate breached timescale due to complaint handlers awaiting information from third parties, complaints being allocated to employees who were on annual leave and complaint being allocated to incorrect workflow queues. Timescales extensions could have been considered for some of these or escalated to Stage Two.

HSCP (Social Work complaints)



Reasons for these complaints breaching the 5 working day timescale included uncertainty in who should handle the complaints and complainants not being available to support investigations.

Place

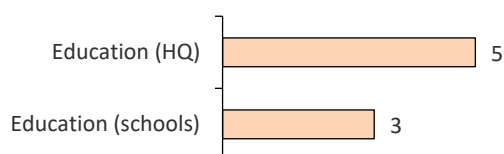


Whilst 142 Stage One complaints in Place did not meet their due dates, over half were closed just beyond the 5 working day timescale. Reasons for breaching timescale were varied, including delays in sign off for responses, lack of resources, complaints awaiting customer input and complaints requiring thorough investigation before outcomes could be provided. Some of these complaints could have had their timescales extended or been considered at Stage Two.

Whilst 97 complaints for Waste Services were not closed on time, the service handled approximately 1,300 complaints during the year which equates to 7% not being closed on time. This is a remarkable achievement given the changes to policy and kerbside collections from 1 April 2019 resulted in a significant uplift in complaints which has not had a material impact on their complaint handling performance.

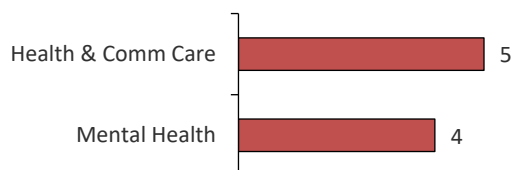
Stage Two

Communities



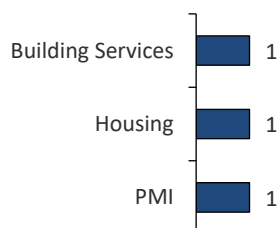
Many of the Education Stage Two complaints breached timescale due to the complexity of the issues being raised and some of these complaints could have had their timescales extended.

HSCP (Social Work complaints)



There were a number of reasons these complaints in HSCP breached timescale, including the complexity of the issues being complained about, delays in finding suitable meeting dates with complainants and additional information being required to support investigations. Some of these complaints could therefore have been considered for extension for these reasons.

Place



The Building Services complaint that breached was due to the complaint not being processed via the correct channel.

The Housing and Property Management & Investment complaints were complex matters and both breached the 20 day timescale by a small number of days.

4 Key complaint topics

Key topics for upheld and partially upheld complaints within Services are listed below. Services will not be listed if there were insufficient complaint volumes to allow meaningful analysis.

Communities

Service	Key complaint topic(s)
Education (HQ and schools)	<ul style="list-style-type: none">Employee actionsService provision/delivery

Finance & Corporate Support

Service	Key complaint topic(s)
Customer Services (including One Team)	<ul style="list-style-type: none">CommunicationIncorrect information provided

HSCP (Social Work complaints)

Service	Key complaint topic(s)
Health & Community Care	<ul style="list-style-type: none">Employee actionsService provision/delivery

Place

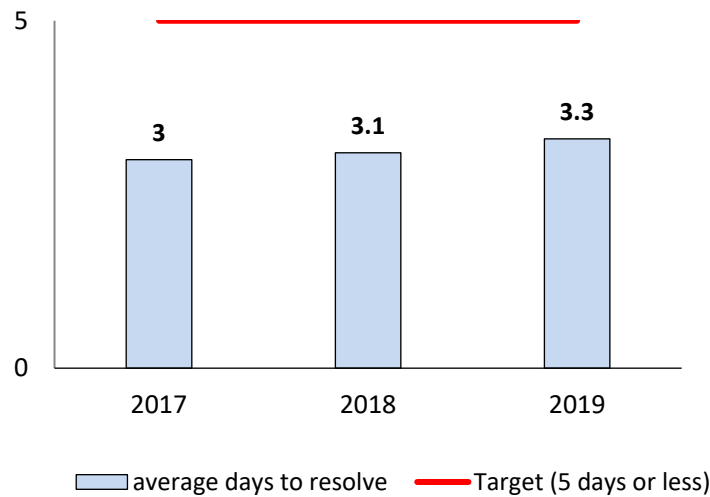
Service	Key complaint topic(s)
Building Services	<ul style="list-style-type: none">CommunicationFollow ups not doneQuality issues (work incomplete or poor workmanship)Employee actions
Housing	<ul style="list-style-type: none">Estate management
PMI	<ul style="list-style-type: none">GCH (including maintenance)Planned works for tenants
Streetscene	<ul style="list-style-type: none">Grass cutting (general and scheme)Grounds maintenance
Waste Services	<ul style="list-style-type: none">Missed bins (all colours)Missed pullouts (all colours)Bins not deliveredEmployee ActionsFailed special upliftsLitter/mess when bins being emptied

- The majority of missed bins and pullouts that were upheld or partially upheld for Waste Services related mainly to brown and grey bins.
- Employee Actions appears as a key topic for some Services but the definition is broad and has been used where complainants perceived employee actions or behaviour to be unacceptable. Where any unacceptable behaviour was identified by Services, appropriate action will have been taken to address.

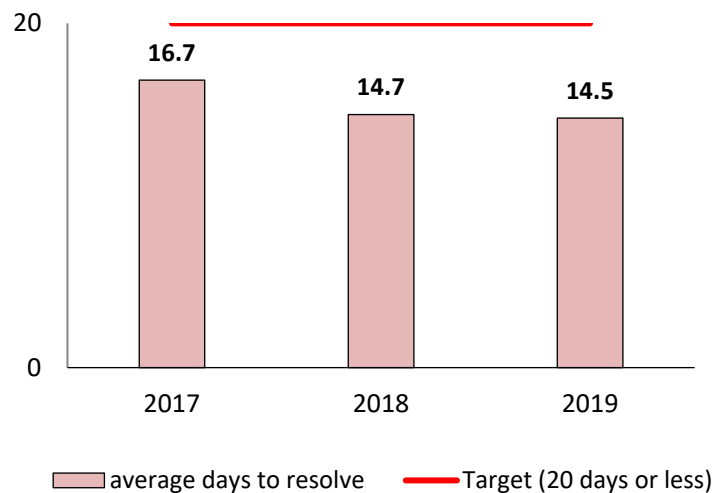
5 Average time in working days for a full response

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.

Stage One



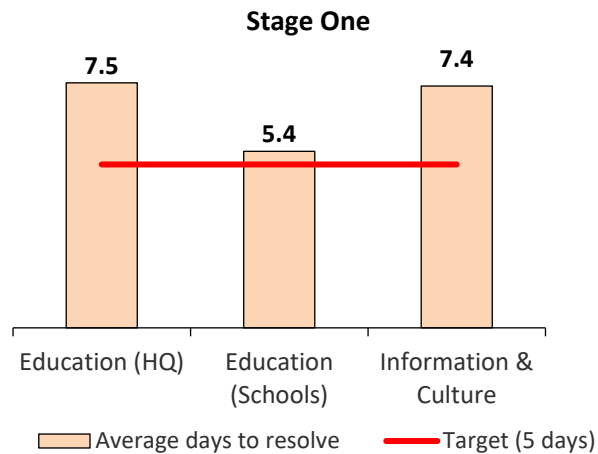
Stage Two



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

The bar charts 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.

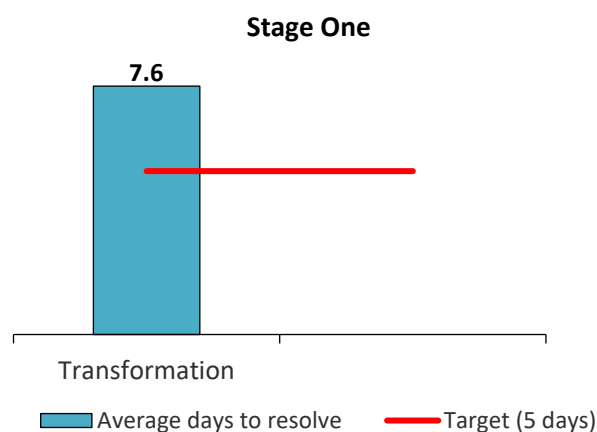
Communities



Whilst several Stage One complaints for Education did not meet timescale, a small number were significantly adrift of the 5 working day timescale which resulted in the averages of 7.5 and 5.4 working days.

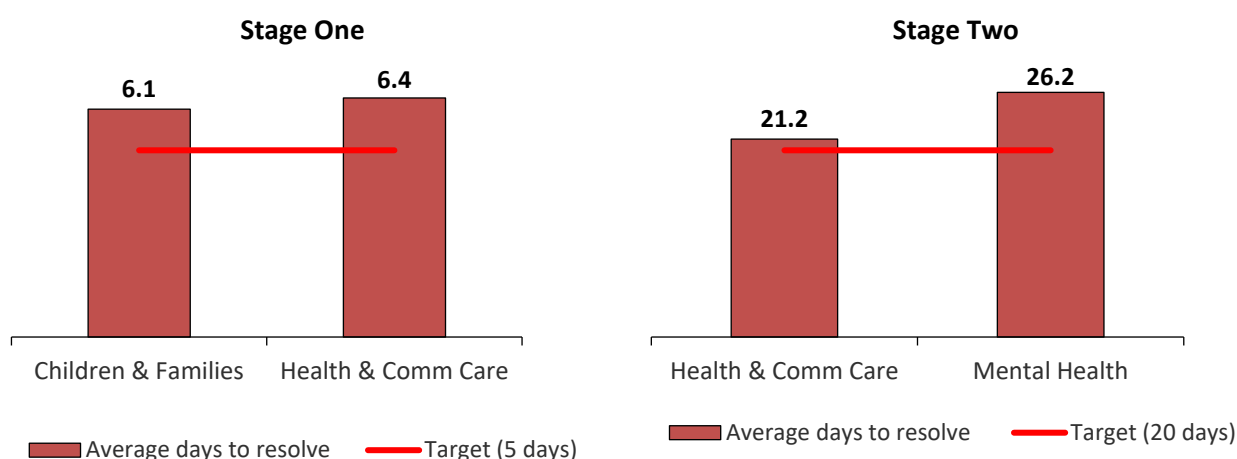
Due to an error within the complaint workflow system, an Information & Culture complaint was resolved on working day 16 and resulted in the average of 7.4 working days.

Finance & Corporate Support



Whilst the vast majority of Transformation complaints were closed on time, two complaints did not meet timescale which resulted in an average of 7.6 working days. One complaint was delayed as a result of it being routed incorrectly in the workflow system and the other was delayed due to a thorough investigation being required. This complaint could have been considered at Stage Two.

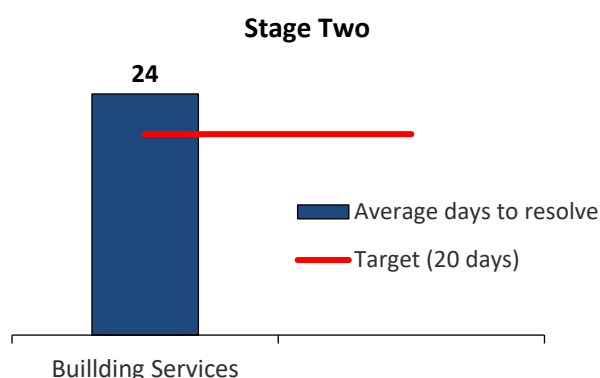
HSCP (Social Work complaints)



Whilst the majority of Stage One complaints for Children & Families and Health & Community Care were resolved on time, a number were significantly adrift of the target and reasons for breaching can be found in section 3.

A small number of Stage Two complaints for Health & Comm Care and Mental Health did not meet timescale resulting in an average working days of 21.2 and 26.2 respectively. Delays included issues meeting with the complainants, the complexity of the complaints, additional information needing to be sourced and the impact on service delivery as a result of the Covid-19 outbreak. Some of these complaints could have been considered for timescale extension.

Place



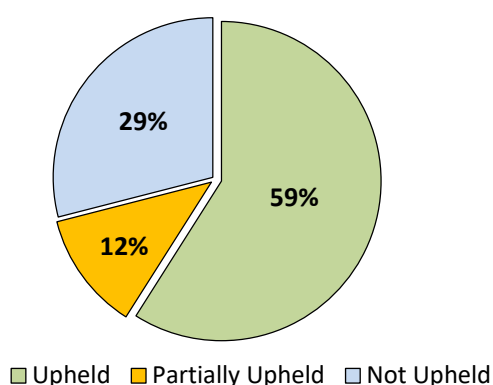
As a Stage Two complaint for Building Services was closed on day 24, this had an effect on the average number of days not meeting the 20 working day target. The reason the complaint did not meet timescale was due to the complaint not being processed through the correct workflow channel.

6 Extended complaints

- 80 complaints had their timescales extended during the year (40 at Stage One and 40 at Stage Two). The complaints related mainly to services within the HSCP and Place Directorates.
- Although this is a higher volume of extensions than normal, there were numerous reasons for extending, including complainants being unavailable to assist with investigations, information awaited from third parties to support investigations, the complexity of the complaints and some that were impacted by the Covid-19 outbreak (see section 10 for more information).
- Of the 80 complaints extended, over 80% were closed within their new due dates.

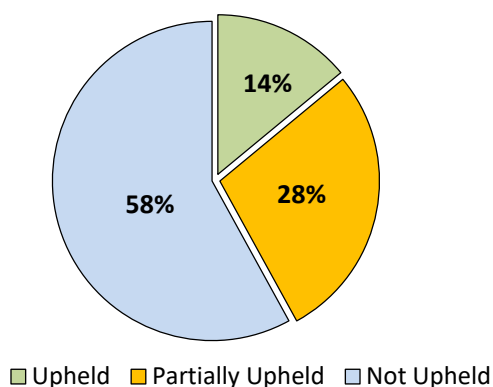
7 Complaint Outcomes

Stage One



- Two thirds of upheld and partially upheld* complaints related to Waste Services and in particular bin collections. This was anticipated given changes were made to the service at the start of the financial year.
- Of the 29% of complaints not upheld, two thirds related to policies and regulations and the remainder were deemed unproven/unfounded.

Stage Two



- Over one third of upheld and partially upheld* Stage Two complaints related to the Health and Social Care Partnership. The remainder related to other Directorates and various services.
- Of the 58% of complaints not upheld, these related to policies, regulations and complaints that were determined to be unproven/unfounded.

*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

Below are a few examples of actions taken and/or improvements made by Services as a result of complaints received during the year.

A resident did not receive a letter advising their bin collection days were changing as part of the Waste Services collection changes on 1 April 2019. As a result, the resident received a personal visit, an apology and the appropriate literature was provided. The technical team that performed the mailshot was also advised so there are no further errors regarding future mailshots for the customer.

A complaint was received about the Council Tax recovery process and the attitude of an employee who assisted the customer. Whilst it was determined the correct procedure was followed and the employee was not rude or unprofessional, additional coaching will be provided to Advisers to assist with soft skills and handling difficult calls.

A complaint was received about a contractor and an emergency plumbing repair where insufficient information was sourced and requested by the Contact Centre adviser in order to assist the tenant. Whilst the repair was carried out, a process will be introduced to ensure issues are investigated fully before advisers provide responses to tenants regarding emergency repairs.

A complaint was received due to someone tripping over the bollard of an empty car pool space at one of the Council's buildings. An apology was offered and a reminder issued to all members of the Council's Car Club service regarding how and when to use the bollards.

A complaint was received as a library visitor was rebuked for using the fire exit door to leave the building due to an emergency. As a result, proper signage will be displayed to ensure employees and visitors know when the fire exit door should be used.

As rubbish was blown into a river when the river bank was being cleared by a Council operative, a communication was issued to operatives advising they must manually sweep the bottom section of pathways so leaves and litter do not accumulate at river edges.

Road resurfacing works started one day early, causing problems for the street's residents. Whilst there was a valid reason for the works being brought forward, the project team responsible for the works will ensure any future changes are notified to affected residents prior to the changes taking place.

A customer made us aware of an issue with how the icalendar data was loaded in Outlook. An alternative mechanism for loading the calendar in Outlook was identified, documented and shared with the customer. This document can also be shared with anyone else who encounters the same issue.

Due to minor spillages when waste collection bins are being emptied, in future they will be cleared by the waste crew using brushes and shovels and larger spillages will be reported to Streetscene to remove.

A complaint was received about a lack of disabled parking bays at a Community Facility. As a result, the traffic order will be reviewed and an application made to acknowledge all disabled bays. An order will also be raised through procurement to introduce appropriate signage at the area.

9 Compliments

Over 400 compliments were recorded during the year cross-Council:

Directorate	Volume
Communities	59
Finance & Corporate Support	33
Health & Social Care Partnership	54
Place	266

Of the compliments recorded:

- Some related to specific individuals as well as teams
- Some commended or praised more than one service
- Some were internal with employees complimenting other employees

Although many compliments were received in Education these were not recorded and is reflected in the table above. A reminder was issued during the year confirming how and when to record them.

The word cloud below lists some of the feedback received from our customers and residents:



10 Coronavirus impact

Since March 2020 the Council has been continually assessing the impact of the Coronavirus outbreak and its ability to continue to deliver critical/key services. Whilst robust business continuity plans are in place for unforeseen events, these unprecedented circumstances presented substantial challenges and service provision in some areas of the Council was affected.

Towards the end of financial year 2019/20 it was identified that 11 Stage Two complaints that were being progressed when the Council introduced its lockdown measures would not meet their due dates. The majority therefore had their timescales extended and all met the new timescales. It was also identified that 2 Stage One complaints that were being progressed when the lockdown measures were introduced would not meet their original due dates and these were extended 5 and 10 working days respectively. Neither met the new due dates as the lockdown measures were still in place when the new due dates were reached.

8 complaints were received as a result of measures the Council introduced to mitigate the impact of the virus and explanations were provided to complainants as to why the changes had been made.

Regarding receiving and managing complaints during the health crisis, all complaints have been and will continue to be recorded and handled in line with the model Two Stage CHP. Where the Council is unable to progress a complaint as a result of measures that have been taken to mitigate the Coronavirus impact, complainants are informed and next steps agreed. This can include timescale extension considerations.

Further information and analysis on the impact Coronavirus has had on our complaint handling performance will be reported in the 2020/21 half yearly complaint report.

11 ALEO complaints

An Arms-Length External Organisation (ALEO) is an organisation formally separate from a local authority but still subject to its control and influence. North Ayrshire Leisure Limited (NALL) is an ALEO for North Ayrshire Council and this section highlights complaints handled in 2019 by NALL using the same Two Stage procedure the Council uses.

Complaints received per Business Area and Complaint Category

Business Area	Complaint Category	Volume
LEISURE		
Irvine	Activities & Programming	14
	Facilities General	14
	Facilities Cleanliness	7
	Customer Service	24
	Marketing/Promo	1
	Policy/General	7
Three Towns	Activities & Programming	5
	Facilities General	4
	Facilities Cleanliness	2
	Customer Service	7
	Marketing/Promo	1
	Policy/General	3
Garnock & Kilwinning	Activities & Programming	8
	Facilities General	9
	Facilities Cleanliness	1
	Customer Service	2
North Coast & Arran	Activities & Programming	8
	Facilities General	3
	Facilities Cleanliness	1
	Customer Service	3
PHYSICAL ACTIVITY		
Active Lifestyles	Activities & Programming	5
	Customer Service	0
Community Sport	Activities & Programming	1
	Customer Service	0
SUPPORT TEAM		
Support Team	Customer Service	1
	Policy General	13
	Marketing/Promo	2

- 146 complaints were received by NALL during the year.
- As the Portal and Auchenharvie Leisure Centre are situated in Irvine and the Three Towns respectively, they attract higher visitor numbers compared to other venues/facilities and explains the higher volumes for these locales.

Complaints per 1,000 visits for each department

Department	Complaint Volume	Attendances	Complaint Rate
Leisure	123	2,450,732	0.05
Physical Activity	6	215,360	0.03
Support Team	17	n/a	n/a

- The volume of complaints is negligible compared to the number of people visiting NALL facilities/venues.

Complaint categories by volume

Category	Volume
Facilities General	30
Facilities Cleanliness	11
Customer Service	37
Activities and Programming	41
Policy/General	23
Marketing and Promotion	4
Total	146

Three-year Complaint Category comparison

Category	2017	2018	2019
Facilities General	55	61	30
Facilities Cleanliness	3	13	11
Customer Service	54	20	37
Activities & Programming	46	48	41
Policy/General	33	10	23
Marketing/Promotion	4	0	4
Total	195	152	146

- Reductions seen in complaints in certain categories when comparing 2018 with 2019.

Complaints handled at each Stage by category

Category	Stage One	Stage Two
Facilities General	22	7
Facilities Cleanliness	6	3
Customer Service	28	6
Activities and Programming	26	14
Policy/General	13	10
Marketing and Promotion	3	1
Total	98	41

- Whilst a small number of complaints received in Q4 2019 were closed outwith timescale as a result of Covid-19 and the closure of NALL facilities, the monitoring of customer feedback is being reviewed to reduce further incidents of non-compliance. Complainants impacted by these delays have been contacted, apologies offered and assurances the issues they have raised will be addressed once facilities re-open.

Examples of complaints received

Category	Nature of Complaint	Response/Action
Facilities General	Customer complained that there is no air conditioning in upstairs studios as that the heat is almost unbearable. With no windows to open the fans just blow hot air around.	The customer was advised that the issue was not due to a lack of air conditioning but a heating issue. The issue was subsequently reported to and resolved by the Council.
Facilities Cleanliness	Customer complained that swimming facilities were in an "unacceptable state" at Auchenharvie Leisure Centre.	Apology offered to customer and it was agreed the condition of the changing area was unacceptable. The areas should be checked hourly and it is clear from the complaint this had not been done. Customer was assured the Company would investigate and speak to the staff on shift to avoid a reoccurrence.
Customer Service	Customer complained that they had tried to use the Portal Gym on two separate occasions at 7:30am. Both times their membership card did not work and there was no one on the reception desk to assist.	The customer's account was reviewed and it was discovered the entry access subscription had lapsed. This was corrected and customer advised they should experience no further problems. Apology offered to customer for the inconvenience caused.
Activities & Programming	Customer was disappointed that it took until 6:15pm to be advised that a 6.00pm class had been cancelled at Auchenharvie Leisure Centre.	Explanation provided that the class instructor had failed to turn up. As this was a recurring problem with the same instructor they no longer run classes for KA Leisure. Apology offered to customer for inconvenience caused.

12 Glossary

Term	Explanation
Stage One	Stage One (aka <i>Frontline Resolution</i>) 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 or 10 if the complaint relates to Social Work) is requested and approved by a senior manager. The Council should, however, always aim to resolve these types of complaints within 5 working days.
Stage Two	Not all complaints are suitable for Frontline Resolution and not all complaints will be satisfactorily resolved at that stage. Complaints therefore handled at Stage Two (aka <i>Investigation</i>) 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. The investigation under a Stage Two should establish all the facts relevant to the points made in the complaint and give the customer a full, objective and proportionate response that represents our final position. 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 of 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.

END OF REPORT

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit & Scrutiny Committee

Title: Annual Assurance Statement to the Scottish Housing Regulator 2019-20

Purpose: To advise the Committee of the Council's Annual Return on the Charter 2019-20 submission, and request endorsement of the Annual Assurance Statement to be submitted to the Scottish Housing Regulator.

Recommendation: That (i) the Committee notes the Annual Return on the Charter submission 2019-20; (ii) the Committee notes the supporting evidence provided to demonstrate compliance with the regulatory framework and relevant legislation; and (iii) the Committee Chair signs the Annual Assurance Statement (Appendix 1).

1. Executive Summary

- 1.1 The Scottish Housing Regulator's framework for the regulation of social housing in Scotland includes the requirement for an Annual Assurance Statement to be submitted alongside the Annual Return on the Charter (ARC). The statement must be approved by the appropriate Committee within the organisation prior to submission.
- 1.2 Endorsement of the Annual Assurance Statement will ensure that the Council complies with regulatory requirements set out in the Housing (Scotland) Act 2010.

2. Background

- 2.1 The Housing (Scotland) Act 2010 sets out the statutory objective, functions, duties and powers of the Scottish Housing Regulator (SHR), a non-ministerial department responsible for regulating social housing in Scotland.
- 2.2 In 2012, the Scottish Government's Social Housing Charter was established. It sets out the standards and outcomes that tenants, homeless people, homeowners and gypsy/travellers can expect from social landlords. This is monitored via landlords' ARC submission to the SHR.
- 2.3 In February 2019, the Scottish Housing Regulator issued a revised framework for the regulation of social housing in Scotland. The new framework includes the requirement for landlords to submit an Annual Assurance Statement which has been agreed by a Board or Committee within the organisation. The Council must provide assurance that it complies with the relevant requirements of Chapter 3 of the Regulatory Framework.

2.4 The Assurance Statement is confirmation that as a landlord, the Council:

- meets all legal duties and responsibilities, and adheres to relevant guidance and the requirements of other regulators;
- meets its statutory duties to prevent and alleviate homelessness;
- adheres to statutory guidance from the Scottish Housing Regulator;
- takes account of regulatory advice from the Scottish Housing Regulator and from other regulators; and
- Complies with all regulatory requirements.

The Council must also confirm plans to fix any instances where there is a material non-compliance and notify the SHR about any material changes in their level of assurance during the year.

Annual Assurance Statement Visit

- 2.5 In December 2019 North Ayrshire Council was one of ten Scottish social landlords visited by the Scottish Housing Regulator to find out more about the self-assurance work carried out to enable the Annual Assurance Statement to be developed.
- 2.6 The purpose of the visit was to gain an understanding of landlords' experiences in producing the statement; find out how assurance was gained in terms of compliance with regulatory requirements, in particular tenant and resident safety and rent affordability; and identify positive practice and lessons learned.
- 2.7 Formal feedback was received from the SHR in February 2020, followed by a report 'Lessons from the first round of Annual Assurance Statements' published in March 2020.
- 2.8 The Regulator stated in the feedback that they had found North Ayrshire Council had carefully considered the appropriate approach for the completion of the first AAS. It confirmed that the Council had provided evidence to demonstrate that compliance with the regulatory framework and relevant legislation was fully considered.

Performance

- 2.9 The revised performance framework issued in early 2019 resulted in the removal of some historical indicators, introduction of new performance measures and changes in some methods of calculation.
- 2.10 Whilst comparative information from other local authorities for the 2019-20 ARC is not yet available, the 2018-19 comparisons from the Scottish Social Housing Charter show that North Ayrshire Council remains a high performing local authority housing service.
- 2.11 Despite the roll out of Universal Credit Full Service in North Ayrshire in 2017, the position as third in Scotland for rent arrears levels was retained. Tenant satisfaction remains high in terms of overall services as a landlord, and opportunities for tenants to participate and keep informed about services and decisions.

- 2.12 The Council's sector-leading Homeless Service continues to support services users to positive outcomes, with a 2.59% increase in tenancy sustainment for formerly homeless tenants from 2018-19 to 2019-20.
- 2.13 The Scottish Housing Network confirmed in September 2020 that North Ayrshire Housing Services remains the top performer amongst local authority members in terms of both level of service and value for money.
- 2.14 The overall performance of the Housing Service is continuously reviewed by the Head of Service and Housing Senior Management Team, with key performance information and action plans presented to the North Ayrshire Network, Business Plan Implementation Group and Council's Cabinet regularly during each year.
- 2.15 The average length of time taken to complete emergency repairs increased from 2.16 to 2.96 hours from 2018-2019, and from 5.45 to 6.3 days for non-emergency repairs. This is still within targets of average times set in the Council's Repairs Policy, of 4 hours and 7 days respectively. Furthermore, satisfaction levels in tenants who had repairs or maintenance carried out in the last 12 months has increased from 87.57% to 95.50% during the same time period.
- 2.16 The average time taken to re-let properties has increased to 26.26 days in 2019-2020, from 19.92 days the previous year. This increase is in part due to the additional void works carried out for new tenants being decanted from the multi-storey blocks in Irvine, with a full decoration, floor covering and blinds service being provided. A review of the void process is currently being undertaken to identify any other factors which may be contributing to the increased re-let time.
- 2.17 Whilst performance appears to have reduced from 2018-2019 in terms of the percentage of antisocial behaviour cases reported in the last year which were resolved (now 83.55%, from 98.22%), this is due to a change in method of calculation for the ARC. Our internal performance reporting confirms that 99.28% of cases were resolved within target during 2019-2020.
- 2.18 It is unlikely that levels of performance will be maintained or improved in some areas of the 2020-2021 ARC return, due to the impact of the COVID-19 pandemic. An example of this is gross rent arrears, where there has been a focus on support for tenants during the pandemic, with national guidance advising against enforcement. However, this position is likely to be reflected nationally.
- 2.19 The ARC 2019-20, which can be accessed at <https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/annual-return-on-the-charter.pdf>, demonstrates the Council's performance against the outcomes in the Scottish Social Housing Charter.
- 2.20 Supporting evidence to demonstrate compliance with the regulatory framework and relevant legislation can be accessed at <https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/aas-supporting-evidence.pdf>. Included in this evidence is a diagram outlining performance/compliance versus impact on tenants and/or governance.

- 2.21 The Annual Assurance Statement, which is attached at Appendix 1, confirms that the Council has complied with the regulatory framework, all standards and outcomes, and the relevant legislation. This Statement will be made available to tenants as part of the Council's performance reporting process.

3. Proposals

- 3.1 It is proposed (i) the Committee notes the Annual Return on the Charter submission 2019-20; (ii) the Committee notes the supporting evidence provided to demonstrate compliance with the regulatory framework and relevant legislation; and (iii) the Committee Chair signs the Annual Assurance Statement (Appendix 1).

4. Implications/Socio-economic Duty

Financial

- 4.1 None

Human Resources

- 4.2 None

Legal

- 4.3 Approval of the Annual Return on the Charter submission 2019-20 and supporting evidence, and signature of the Annual Assurance Statement, will ensure that the Council complies with regulatory requirements set out in the Housing (Scotland) Act 2010.

Equality/Socio-economic

- 4.4 None

Environmental and Sustainability

- 4.5 None

Key Priorities

- 4.6 None

Community Wealth Building

- 4.7 None

5. Consultation

- 5.1 Consultation has taken place with Services within Physical Environment, Directorate Performance, the Health and Social Care Partnership and the Scottish Housing Regulator during the preparation of the Annual Return on the Charter and Annual Assurance Statement.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Jacqueline Cameron, Senior Manager (Housing Strategy and Development)**, on **01294 485652**.

Background Papers

0



North Ayrshire Council

Comhairle Siorrachd Àir a Tuath

Annual Assurance Statement 2019/20

North Ayrshire Council complies with the requirements set out in Chapter 3 of the Regulatory Framework.

North Ayrshire Council is assured that we:

- ✓ Meet all legal duties and responsibilities, and adhere to relevant guidance and the requirements of other regulators;
- ✓ Meet our statutory duties to prevent and alleviate homelessness;
- ✓ Adhere to statutory guidance from the Scottish Housing Regulator;
- ✓ Take account of regulatory advice from the Scottish Housing Regulator and from other regulators; and
- ✓ Comply with all regulatory requirements, encompassing:
 - Assurance and notification
 - Tenant and service user redress
 - Whistleblowing
 - Equalities and human rights
 - Scottish Social Housing Charter Performance.

North Ayrshire Council's Audit and Scrutiny Committee has considered sufficient evidence to give this assurance.

The Annual Assurance Statement was approved by Audit and Scrutiny Committee on 29 September 2020.

Authorised by: _____
Chairperson of the Committee

Printed name: _____

Date: _____

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit and Scrutiny Committee

Title:	Audit Scotland Report on Affordable Housing
Purpose:	To update the Committee on the key findings of, and recommendations from, Audit Scotland's review of Scottish Government's affordable housing supply target published in April 2020.
Recommendation:	That Committee (i) notes the key findings and recommendations from Audit Scotland's review of Affordable Housing, and (ii) notes North Ayrshire's position in relation to these areas and contribution to achieving the supply target to date.

1. Executive Summary

- 1.1 In April 2020 Audit Scotland published '[Affordable Housing: A review of The Scottish Government's affordable housing supply target](#)'. This committee report highlights the key findings and recommendations from the Audit Scotland report and notes North Ayrshire's position in relation to each of the areas under consideration, and contribution to achieving the national housing supply target to date.

2. Background

- 2.1 Audit Scotland published their review of Scottish Government's affordable housing supply target in April 2020. The purpose of the audit was to report on progress towards the target and assess the impact it has had; and also consider what more the Scottish Government and councils need to do to support the continued increase in affordable housing for those in need.

The affordable housing target

- 2.2 The Scottish Government set a national target for the development of 50,000 new affordable homes between April 2016 and March 2021, 35,000 of which should be for social rent.
- 2.3 From April 2016 to December 2019, 31,136 affordable homes were developed in Scotland, of which 20,336 were for social rent. During the same time period the Council and its RSL partners developed 368 affordable homes for social rent.
- 2.4 North Ayrshire has welcomed the increased focus and investment in housing, providing the opportunity to meet local priorities. The Strategic Housing Investment Plan (SHIP)

sets out the Council's ambitious house building programme, which has committed to developing 1,575 new homes alongside our partner RSLs' new build programmes.

- 2.5 Audit Scotland recommends that the Scottish Government and councils should evaluate the impact of the current programme on housing needs and the economic impact on the investment in affordable housing. In addition, national and local reporting on the delivery of affordable housing should demonstrate how needs have been met and how new house building contributes to wider improved outcomes. The Council's Housing Need and Demand Assessment 2021 is currently being prepared to inform the next Local Housing Strategy. Officers will review the Council's reporting framework to consider how the impact of the housing development programme on wider outcomes can be further demonstrated.

Delivery and impact of the affordable housing target

- 2.6 A £3.5bn budget was established to meet the 50,000 homes target. The Council and its Registered Social Landlord (RSL) partners expect to spend £79.055m through the North Ayrshire Strategic Housing Investment Plan (SHIP). Of this total, £61.962m has already been claimed to the end of March 2020, with a Resource Planning Assumption (RPA) of £17.093m for the current financial year 2020-2021.
- 2.7 In the period April 2016 to March 2020, North Ayrshire's RPA was £49.543m. During this time, a total of £61.962m was claimed, through obtaining funding of £12.419m arising from slippage in other local authority areas. Table 1 illustrates North Ayrshire Council's grant claimed alongside neighbouring local authorities in East and South Ayrshire for the period April 2016 to March 2019. The funding levels claimed by other authorities for 2019/20 has not yet been published.

Table 1: Total RPA, Spend & Variance for Ayrshire authorities April 16 - March 19

April 2016 to March 2019	North Ayrshire Council	East Ayrshire Council	South Ayrshire Council
Total RPA	£33,431,000	£26,845,000	£26,609,000
Total Spend	£43,304,000	£22,971,000	£20,964,000
Total Variance	£9,873,000	-£3,874,000	-£5,645,000

Source: Scottish Government Affordable Housing Out-turn Reports

- 2.8 Audit Scotland reports that some councils have concerns about lower grant levels being made available to councils compared to those for RSLs. One of the Scottish Government's reasons for historical lower grant levels was the understanding that councils could borrow money at lower interest rates than RSLs. Some feedback obtained by Audit Scotland as part of their study has suggested that the cost of borrowing is now similar.
- 2.9 North Ayrshire has raised similar concerns to the Scottish Government about inadequacy of grant levels, most recently in a consultation response related to the future of housing 'Housing to 2040'. The cost of building new homes is increasing, due to factors more prevalent in new housebuilding as the programme progresses. For example, the availability of land and decontamination of brownfield sites impacts on development costs. In North Ayrshire developments, the need for sustainable features and technology innovations is considered alongside other key priorities such as retaining affordable homes and managing debt levels.

- 2.10 The report acknowledges that increasing capital investment by councils and RSLs to fund new housing and improve their existing stock may result in increased rents. This could ultimately affect the affordability of rents for tenants. Furthermore, Audit Scotland recommends that the Scottish Government and councils should work in partnership with RSLs to implement performance measures which focus on the value for money of new-build homes and demonstrate the social value of investment.
- 2.11 North Ayrshire Council's housing rents remain amongst the lowest in Ayrshire and are lower than our neighbouring local authorities. Rent affordability is a key priority for the Council and informs discussions with RSL partners when new developments are proposed by them for inclusion within the SHIP.
- 2.12 The Audit Scotland report notes mixed involvement across Scotland from Health and Social Care partners, both in terms of the strategic planning process and funding contributions. It acknowledges the benefits housing can have on health and well-being, and its contribution to achieving integration authorities' goals, for example by reducing delayed hospital discharges. Audit Scotland recommends that councils ensure Health and Social Care Partnerships maximise their input into the planning for, and investment in, affordable housing to meet health and social care priorities.
- 2.13 In North Ayrshire, the Health and Social Care Partnership (HSCP) is represented on the SHIP Project Board to ensure that the benefits of new social housing are maximised for all North Ayrshire residents. For example, a new supported accommodation housing model has been developed to maximise independence for adults who require a higher level of support.
- 2.14 Audit Scotland recommends that councils should ensure consistent and early engagement with, and involvement of tenants and the wider community in developing affordable housing plans. This allows them to influence delivery and aligns with the principles of community empowerment, which is a national priority.
- 2.15 Tenant and community involvement is integral to the development of the North Ayrshire Local Housing Strategy, which informs the SHIP. Tenants and residents are consulted on each Council development progressed through the SHIP. In addition, feedback is sought on completion of each development to foster continuous improvement in our processes and standard house types.
- 2.16 The Audit Scotland report acknowledges that housing need should not be exclusively met through new build. Whilst North Ayrshire is committed to building 1,575 new homes, part of the commitment relates to the regeneration of existing North Ayrshire estates. Officers are currently undertaking a review of existing housing assets to determine those which no longer fit with our aspirations for social housing, are of low demand and/or are reaching the end of their natural life. These properties will be replaced with new energy efficient homes which support the Council's sustainability ambitions and reduce fuel poverty.
- 2.17 In addition, the Council's Estate Based Regeneration Programme provides £10m funding over 10 years to invest in current estates, alongside traditional capital investment in the stock portfolio and newer measures such as the solar PV retrofit initiative.

Challenges, barriers and the future

- 2.18 The report acknowledges that the Scottish Government is on target to meet its goal, however the report was issued as COVID-19 was emerging and does not reference the impact that the pandemic will have on the Government's ability to meet the new build target. It does note that serious risks remain, including construction sector, planning and building control capacity in some areas. The fact that programme funding is at its peak in 2020-2021, and the uncertainty of government funding post 2021, intensifies these risks.
- 2.19 In order to mitigate some of these risks, the Council has taken a number of steps to support its ambitious housebuilding programme. In partnership with ten other local authorities, work was carried out alongside Scotland Excel to develop a New Build Residential Construction Framework. A suite of North Ayrshire Council standard house types was developed to simplify the design process. A pilot model was also undertaken in the Montgomerie View, Seamill development to test off-site construction, which offers an alternative delivery model with potentially lower costs and timescales. In addition, further architect and quantity surveyor resources have been employed to assist with the increased development programme.
- 2.20 The report notes issues with Planning and Building Control in some authority areas. Within North Ayrshire, the Council's Planning Service is represented on the SHIP Project Board, during programme meetings with RSL partners and the Scottish Government and at all Council site design team meetings. Furthermore, a recent change to the Council's development process introduced Building Standards to the Council site design team meetings. Early engagement with colleagues in Planning and Building Standards means that no such issues are experienced within North Ayrshire.
- 2.21 The COVID-19 pandemic has impacted on the delivery of the SHIP in North Ayrshire. All SHIP projects which were on site in March 2020 were suspended, and whilst works have now recommenced at most sites, there are longer term implications whilst the construction industry implements the remaining stages of a phased return. The Council and its partners will continue to work closely to monitor the impact of COVID-19 over the coming year. The Council had anticipated to complete 725 of its 1,575 new homes by March 2021, however it is currently anticipated that only 374 Council homes will be complete by this deadline, with others delayed to the 2021-2022 financial year.
- 2.22 The report acknowledges access to suitable land as a potential development barrier. The availability of land is not a primary concern in North Ayrshire, but ground conditions can be problematic for sites. The Council will seek any additional funding available for sites where land condition is a development barrier. In addition, work with RSL partners will be undertaken to review the site selection process and consider the potential for feasibility studies to reduce site constraint risks.
- 2.23 It is unclear how much funding for affordable housing will be available post March 2021. To date, the Scottish Government has announced that £300m will be available in 2021-2022, which is less than half of current RPAs. North Ayrshire continues to plan to utilise full RPA for 2020-2021, despite COVID-19 related delays, and all efforts will be made to accommodate slippage available from other areas. Alternative funding streams will be utilised where appropriate, such as Charitable Bonds for RSLs.

Planning for post-2021 investment

- 2.24 The majority of recommendations in the report relate to planning for post-2021 investment. Audit Scotland suggests that the Scottish Government should work with councils and RSLs to clearly set out a long-term vision and funding arrangements beyond the parliamentary term. Grant funding distribution arrangements and subsidy levels should be reviewed, and clear outcomes set. Alongside this, reporting on affordable housing should be improved, and based on robust data on housing need at both a national and local level. Lastly, an appropriate balance should be sought between investment in new homes and improvement of existing homes, whilst ensuring that rent levels remain affordable.
- 2.25 The Council awaits the completion of the Scottish Government's spending review to fully understand the impact of funding post 2021 and will continue to work alongside the Scottish Government and local RSLs to deliver high quality, sustainable, affordable new-build homes in North Ayrshire.

3. Proposals

- 3.1 It is proposed that Committee notes (i) the key findings and recommendations from Audit Scotland's review of Affordable Housing, and (ii) North Ayrshire's position in relation to these areas and contribution to achieving the supply target to date.

4. Implications/Socio-economic Duty

Financial

- 4.1 North Ayrshire has been able to claim an additional £12.419m towards affordable housing in the area from slippage in other local authority areas from April 2016 to March 2020. Utilising Scottish Government Charitable Bond, most recently for Cunninghame Housing Association developments at Glebe Place, Saltcoats and Corrie Crescent, Saltcoats, released a further £1.233m of SHIP funding for North Ayrshire projects.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 The provision of new social housing will have a positive impact on those who require specialist accommodation, older people, those who are homeless, or at risk of homelessness, and those for whom purchasing a home is not an affordable option. The benefits of new build housing in relation to health, wellbeing and educational attainment, are well documented.

Environmental and Sustainability

- 4.5 New homes should have a low environmental impact, with the aim of reducing fuel use and associated fuel costs. SHIP projects are delivered in accordance with Building

Standards regulations for energy efficiency. New housing is more energy efficient, better ventilated, and has higher levels of thermal comfort, which can result in alleviation of the symptoms in a number of medical conditions, for example respiratory and rheumatoid illnesses.

Key Priorities

- 4.6 The provision of new affordable housing supports the Council Plan priority to provide affordable, modern and well-designed homes that meet residents' needs. There is an evidential link between the quality of housing and educational attainment. New affordable housing therefore has a positive impact on children and young people and supports the Council Plan priority that children and young people experience the best start in life. Furthermore, the provision of wheelchair liveable and amenity standard homes contributes to the Council Plan priorities that people enjoy good life-long health and well-being and people and communities are safe.

Community Wealth Building

- 4.7 The Council's contractors are required to participate in the Council's Community Benefits Programme, which contains targets for local training, employment and community support. In addition, the SHIP programme comprises mainly of projects to be developed on land which is within Council ownership. This includes a number of sites with historic barriers to private development - such as contamination - due to remediation costs. The development of these sites will therefore contribute to improved local environments and living conditions for local communities.

5. Consultation

- 5.1 The Council adopts a collaborative approach when developing the SHIP. Regular meetings are held with other developing organisations and the Scottish Government as part of the SHIP governance process. No specific consultations were undertaken in the preparation of this report.

RUSSELL MCCUTCHEON
Executive Director (Place)

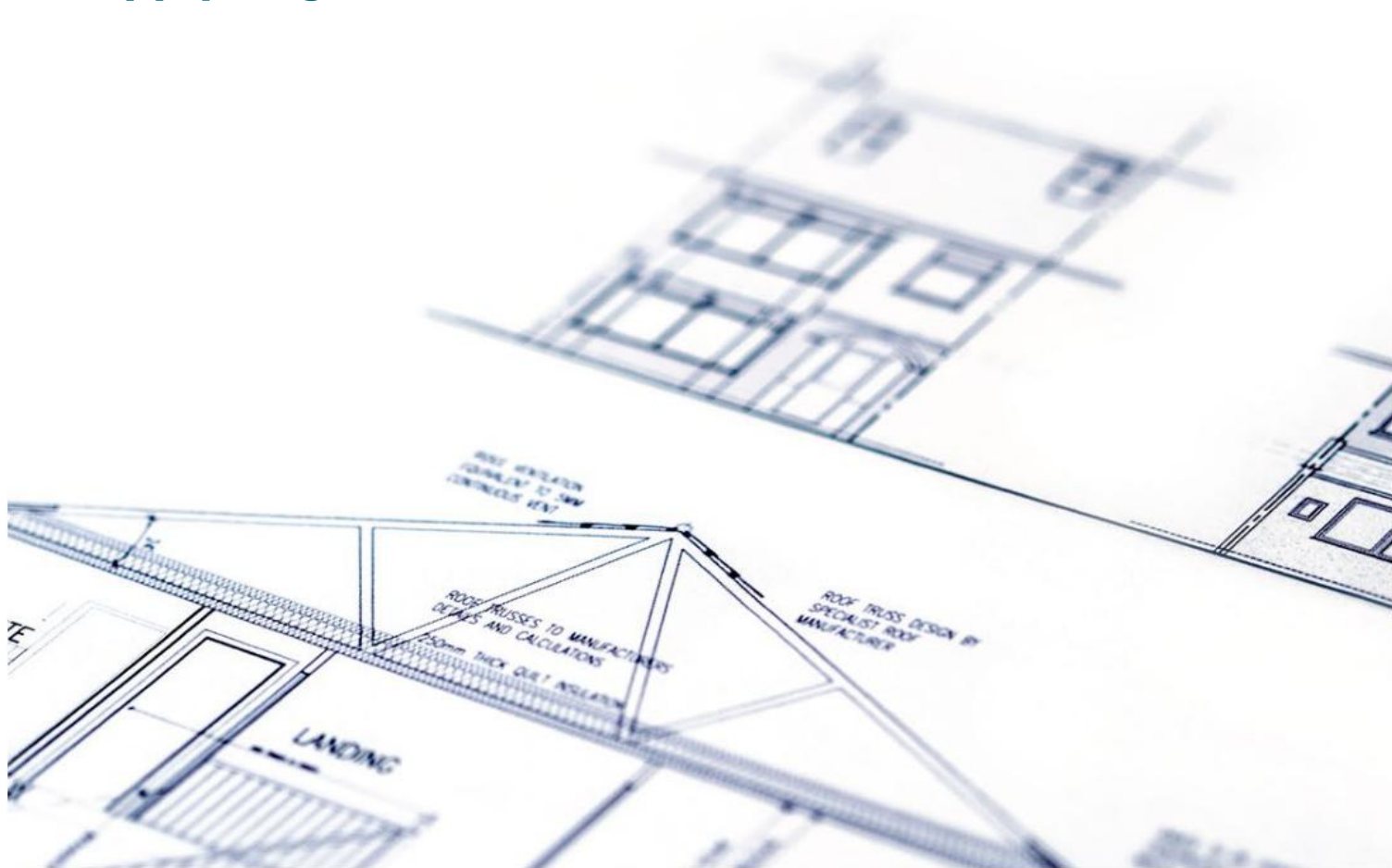
For further information please contact **Jacqueline Cameron, Senior Manager (Housing Strategy & Development)**, on **01294 485652**.

Background Papers

['Affordable Housing: A review of The Scottish Government's affordable housing supply target'](#)

Affordable housing

The Scottish Government's affordable housing supply target



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland
April 2020


The Accounts Commission

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

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- assessing the performance of councils in relation to Best Value and community planning
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You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 


Auditor General for Scotland

The Auditor General's role is to:

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- examine how public bodies spend public money
- help them to manage their finances to the highest standards
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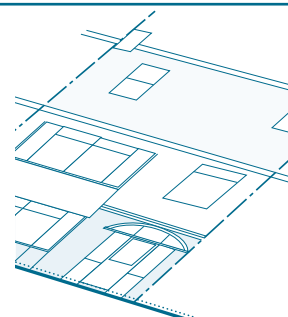
The Auditor General is independent and reports to the Scottish Parliament on the performance of:

- directorates of the Scottish Government
- government agencies, eg the Scottish Prison Service, Historic Environment Scotland
- NHS bodies
- further education colleges
- Scottish Water
- NDPBs and others, eg Scottish Police Authority, Scottish Fire and Rescue Service.

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Audit team

The core audit team consisted of: Carol Calder, Ashleigh Madjitey, Kate Berry, Lynsey Davies and Lindsay Stother, with support from other colleagues and under the direction of Claire Sweeney.

Links

 PDF download

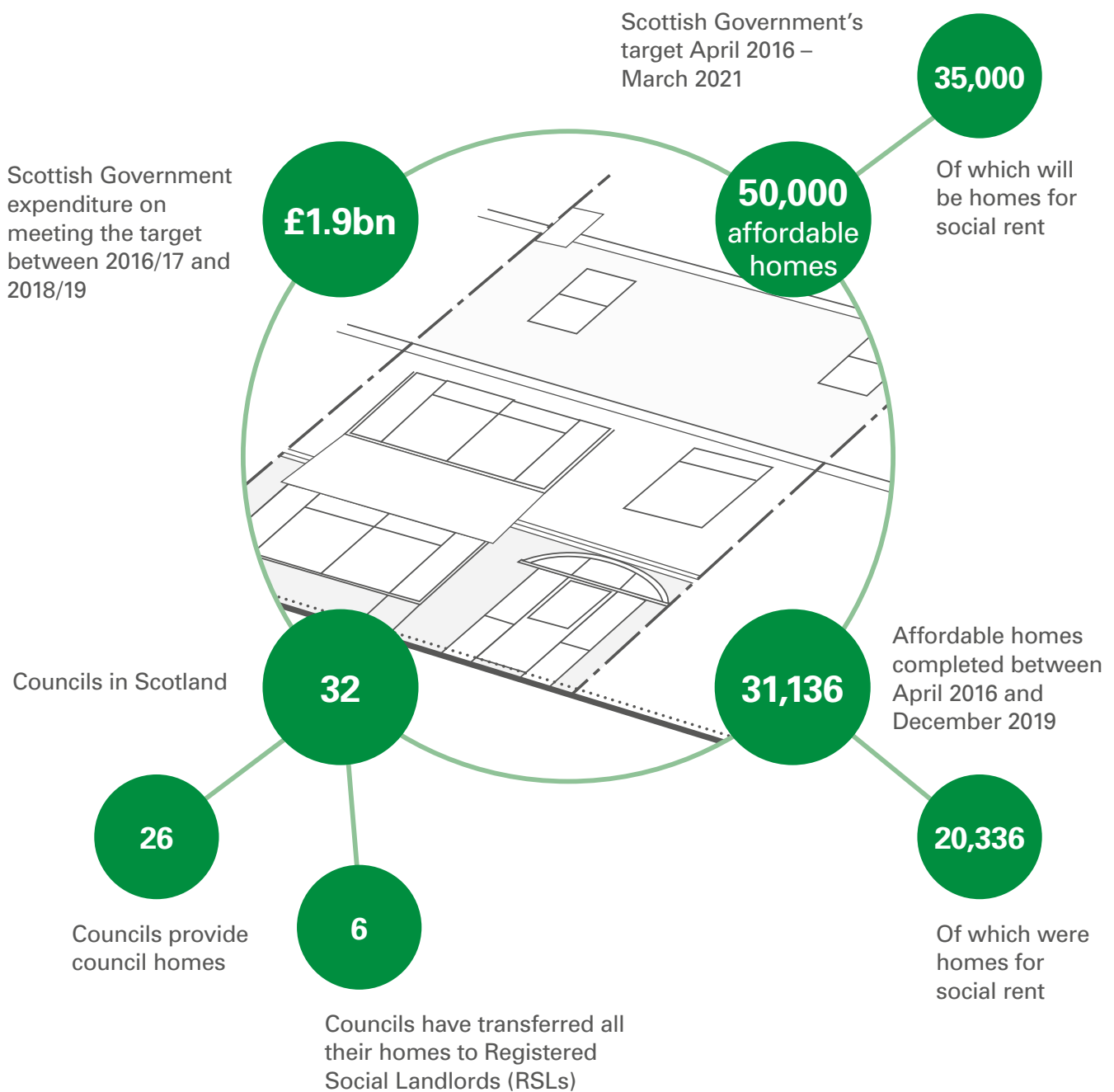
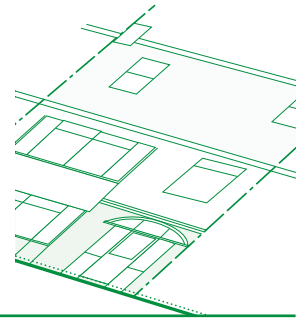
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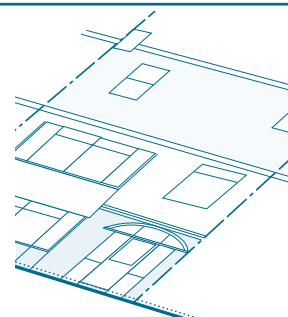
Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Key facts



Summary



Key messages

- 1 Good progress has been made towards the Scottish Government's ambitious target to deliver 50,000 new affordable homes between April 2016 and March 2021. Of these, 35,000 will be social rented homes provided by councils and Registered Social Landlords (RSLs). By December 2019, 31,136 homes had been completed including 20,336 homes for social rent. The Scottish Government plans to invest around £3.5 billion to meet the target. Over the first three years of the programme, it has spent around £1.9 billion. Councils and RSLs have also invested significant sums.
- 2 The Scottish Government reports that the March 2021 target is on track to be met. However, serious risks remain. These include a lack of capacity in the construction sector in some areas and the capacity of council planning and building control services. The planned rise of funding towards the end of the programme, and uncertainty about post-2021 funding, intensifies these risks.
- 3 Councils and their partners have welcomed the increased focus and investment on housing which will help them meet local priorities. Councils are generally working well with their partners, including RSLs, to plan and deliver affordable housing. But improvements are needed in the involvement of health and social care partners. While some councils demonstrate good tenant and community involvement, this needs to be more consistent. This will help ensure the wider benefits of the significant investment are maximised.
- 4 There is evidence that the investment is allowing councils to meet some housing needs in their areas, and some evidence of wider positive benefits to tenants, local communities, and the economy. However, there is no evidence available to show that councils' assessments of need informed the specific numbers and tenure balance of the Scottish Government's target. The Scottish Government did not clearly set out the wider outcomes it intended to achieve from its investment. This, alongside a lack of comprehensive reporting by the Scottish Government and councils on the impact of the investment, means that it is not possible to demonstrate value for money.
- 5 There are various barriers to the ongoing delivery of affordable housing, such as access to suitable land to develop with the necessary infrastructure. The Scottish Government, and councils, are aware of these barriers and are undertaking work to address them. The Scottish

Government has provided only limited information about the funding arrangements immediately post-2021. This uncertainty is affecting councils' and RSLs' ability to plan future developments and may result in a slowdown in the planning and supply of affordable housing. In developing its long-term vision for housing, the Scottish Government needs to make much clearer the ways in which new affordable housing is contributing to wider Scottish Government policy commitments. The Scottish Government should also better demonstrate how the impact and value for money of future investments will be assessed.

Recommendations

The Scottish Government and councils should:

- evaluate the impact of the current programme on housing needs and the economic impact of the investment in affordable housing
- work in partnership with RSLs to implement performance measures to demonstrate the value for money of new-build homes, and work to demonstrate the social value of investment.

Councils should:

- ensure consistent and early engagement with, and involvement of, tenants and the wider community in developing affordable housing plans to ensure they help to improve local outcomes
- ensure that their arrangements with health and social care partnerships maximise their input into the planning for, and investment in, affordable housing to meet health and social care priorities
- improve reporting on the delivery of affordable housing to demonstrate how housing needs have been met and how it is contributing to wider improved outcomes, including those listed in the national performance framework.

When planning for post-2021 investment, the Scottish Government should work with councils and RSLs to:

- clearly set out a long-term vision and funding arrangements beyond the parliamentary term
- clearly set out the outcomes it expects to achieve by its investment and how it will contribute to other policy objectives such as human rights and equalities; reducing homelessness, poverty and child poverty; improving health and wellbeing and responding to the climate emergency; as well as contributing to the national performance framework outcomes

- assess the contribution of funding streams for affordable housing on outcomes and review the grant funding distribution arrangements and grant subsidy benchmarks to ensure that they are fit for purpose and are aligned to meet the outcomes of investment
 - improve its reporting on the affordable housing supply investment programme to ensure information is as comprehensive as possible and includes the location of homes delivered within each council area
 - ensure that the data for understanding housing need at a national and local level is as robust as possible and use this data to more effectively inform future spending plans to make sure that the right homes are built in the right places
 - consider the appropriate balance between investing in new homes and improvements to existing homes, whilst ensuring that rent levels for existing tenants remain affordable.
-

Background

1. Affordable housing makes a substantial contribution to many Scottish Government policy areas such as health and wellbeing, homelessness, economic growth, reducing child poverty and supporting sustainable rural communities. It can also improve outcomes for communities.

2. The Scottish Government's affordable housing supply target is one of several objectives under the Scottish Government's More Homes approach which aims to increase the supply of new homes across Scotland. The More Homes approach sits within the wider context of the Scottish Government's four housing and regeneration outcomes. These are:

- a well-functioning housing system – availability of choice, homes people can afford and growth of supply
- high-quality sustainable homes – safe, warm resources – efficient and promoting wellbeing
- homes that meet people's needs – accessing and keeping a home supporting independent living
- sustainable communities – economically, physically and socially sustainable.

3. The Scottish Government has set a target to deliver 50,000 affordable homes, including 35,000 for social rent, between 2016/17 and 2020/21, which are funded through its Affordable Housing Supply Programme (AHSP). The delivery of affordable homes through the programme includes the following:

- Homes for social rent provided by councils and RSLs. RSLs are mainly housing associations or housing cooperatives that meet the legislative and regulatory criteria to be registered with the Scottish Housing Regulator.

- Homes for mid-market rent (MMR), which have higher rents than social rented housing, but lower rents than privately rented properties in the surrounding area. These homes are mainly provided by RSLs.
 - Homes for affordable home ownership, aimed at people who would not be able to buy a home without further financial support.
- 4.** Most of the affordable housing delivered under the programme will be new-build. However, the programme also funds 'rehabilitations', where existing properties are improved, and purchases of existing properties.
- 5.** The AHSP supports the delivery of affordable housing through several funding streams to councils, RSLs, other providers of housing and the public. The investment is shared between local programmes, which are planned in partnership with councils, and programmes managed centrally by the Scottish Government.
- 6.** Councils have important strategic roles. They are responsible for developing plans for local programmes for their own areas. These plans are then delivered by the councils, their RSL partners and, in some cases, through agreements with private house builders.
- 7.** The Scottish Housing Regulator is the independent regulator of social landlords in Scotland. Its role is to monitor, assess and report on social landlords' performance of housing services provided to tenants, people who are homeless, gypsy/travellers and factored owners. It also monitors, assesses and reports on the financial wellbeing and standards of governance in RSLs.

About this audit

- 8.** The aims of this audit are to:
- report on progress towards the Scottish Government's affordable housing target and assess what impact it has had
 - consider what more the Scottish Government and councils need to do to support the continued increase in affordable housing for those in need.
- 9.** The audit does not consider:
- wider housing affordability issues such as private rental costs or the Scottish housing market – it recognises, however, that these will have an impact on the availability and deliverability of affordable housing
 - Scottish Government and council investment into reducing homelessness – this is because there is significant scrutiny work ongoing through Parliament, the Scottish Housing Regulator (SHR) and Shelter Scotland around homelessness
 - housing and support services for older people beyond whether the housing delivered is fit for purpose within the context of an ageing population. The Accounts Commission and the Auditor General have committed to a further audit on this.

10. During our audit we:

- reviewed documents such as the Scottish Government guidance for councils, councils' strategic housing investment plans (SHIPs) and local housing strategies (LHSs)
- analysed Scottish Government data on the delivery of affordable housing
- carried out fieldwork in four case study councils: Aberdeenshire, Argyll and Bute, the City of Edinburgh and South Lanarkshire. In these areas we interviewed council officers responsible for housing strategy, planning and community engagement, elected members, tenants and RSLs operating in the area
- interviewed representatives from the Scottish Government's More Homes Scotland Division and other stakeholders such as the Association of Local Authority Chief Housing Officers (ALACHO)
- met with members of the Regional Network of Registered Tenants Organisations.

11. We used case studies to understand what is happening at a local level in a small number of council areas. We also obtained evidence of other councils' arrangements through interviews with stakeholders and by reviewing documents. We selected the case study areas based on the following criteria:

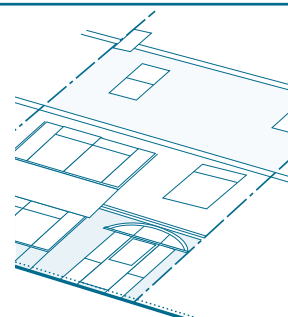
- a mixed sample of those operating in urban, rural and remote contexts
- councils with their own house building programmes
- one council which had transferred all its housing stock to RSLs
- councils receiving larger and smaller levels of funding contributions from the Scottish Government in 2019/20 and 2020/21
- councils which had overspent or underspent their contributions from the Scottish Government in 2017/18.

Where we have converted financial data into real terms throughout the report, we have based this on 2018/19 prices.

12. [Appendix 1 \(page 44\)](#) lists the members of our project advisory group, who gave feedback and advice at important stages of the audit.

Part 1

The affordable housing target



Key messages

- 1** The Scottish Government has an ambitious target for affordable housing and plans to invest around £3.5 billion to meet its target. The target is a response to evidence of the need for affordable housing, although defining affordable housing is complicated. There is no evidence to show that councils' assessments of need informed the specific numbers and tenure balance of the Scottish Government's target. The Scottish Government did not clearly set out what outcomes it expected to be improved from its investment.
- 2** Councils and RSLs have welcomed the increased focus and investment in housing which will help them to meet their local priorities. Councils have important strategic roles for planning new affordable housing in their areas. Within this complex planning system, they balance their knowledge of local need with what they can realistically achieve.
- 3** Good progress has been made towards the target. The Scottish Government is closely monitoring the target and reports that it is on track to be achieved. However, serious risks remain. Funding was planned to rise towards the end of the programme which increases the risks to the successful delivery of the target. These risks include a lack of capacity in the construction sector in some areas and the capacity of council planning and building control services. The lack of certainty on Scottish Government funding plans post-2021 also poses a risk to achieving the target.

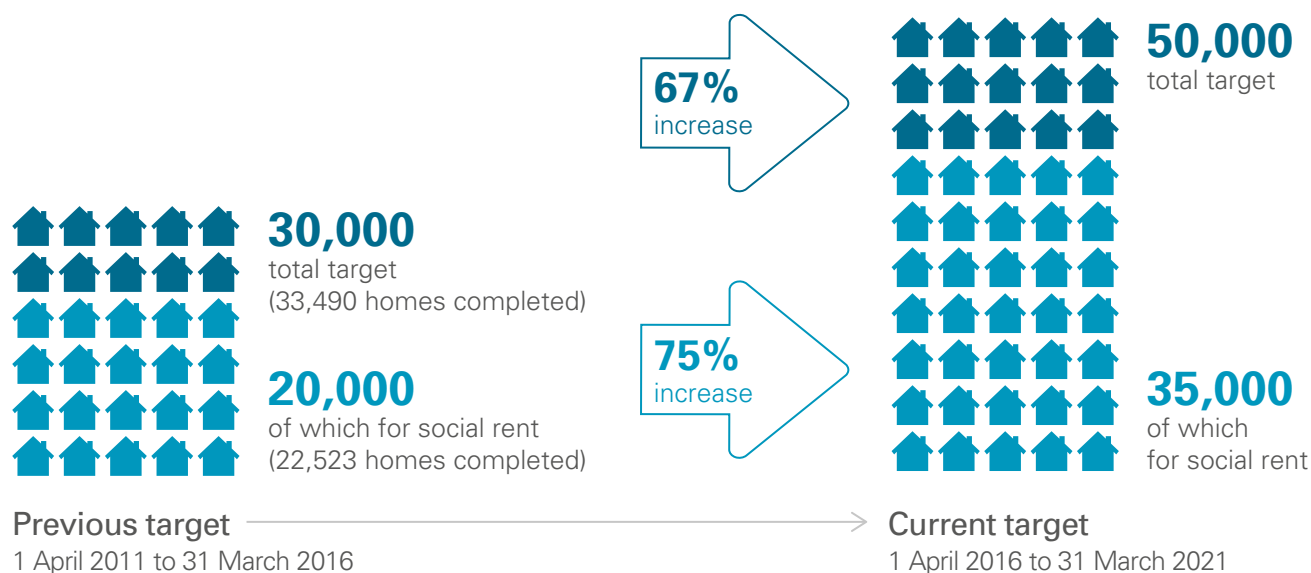
The Scottish Government has an ambitious target to increase affordable housing supply

13. The Scottish Government's affordable housing supply target represents a substantial increase of 67 per cent compared with the previous target of 30,000 affordable homes ([Exhibit 1, page 11](#)). The Scottish Government is investing significant resources to meet its target. Between 2016/17 and 2020/21, the Scottish Government expects to invest around £3.5 billion in its Affordable Housing Supply Programme. This compares with £1.9 billion over the previous programme ([Exhibit 2, page 11](#)).

Exhibit 1

Scottish Government's affordable housing targets

The current targets are substantially greater than the previous targets.

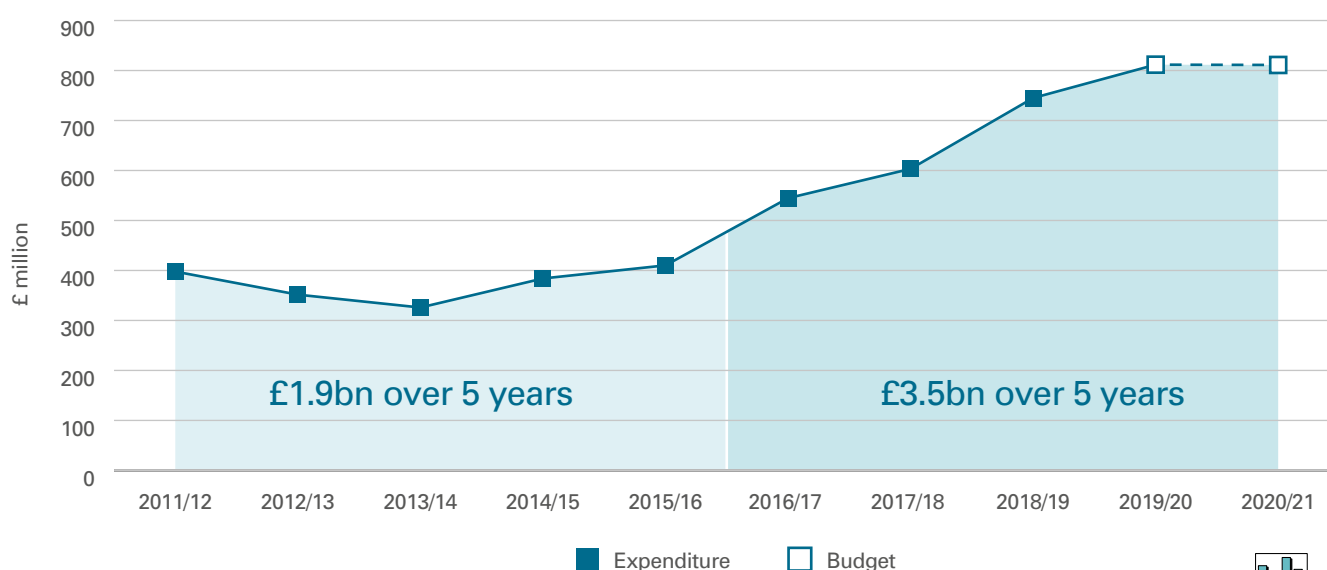


Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme quarterly statistics

Exhibit 2

Scottish Government Affordable Housing Supply Programme expenditure and budget 2011/12 to 2020/21

Expenditure on the previous five-year programme was £1.9 billion. Planned spending for the current programme is 84 per cent higher at £3.5 billion.



Notes:

- Values have been converted to real terms, with 2018/19 as the base year. From 2019/20 onwards these are forecast values of the GDP deflator.
- Using the non-rounded figures, the percentage increase from the previous programme is 88 per cent.
- The Scottish Government provided the audit team with minor revisions to the published expenditure data for 2016/17.

Sources: Audit Scotland using Scottish Government Affordable Housing Supply Programme out-turn reports 2011/12 to 2018/19 and budget information 2019/20 and 2020/21; and *GDP deflators at market prices and money GDP September 2019*, UK Government, 2019

Defining affordable housing is complicated

14. There are many ways to define affordable housing as it depends on many factors such as household type, household income, the location and size of a property, and the local housing market.¹ Social landlords are responsible for setting their own rents and they have different rent-setting policies reflecting the context of their areas and their housing stock. While this local approach to defining rent affordability is appropriate to reflect the local context, it means that there is no one common definition of affordability and it can be confusing for tenants and the public.

15. During our fieldwork, stakeholders, particularly those who were not closely involved in delivering affordable housing, told us they were not always clear what the Scottish Government meant by affordable housing. The Scottish Government's target is based on the tenures of affordable homes to be delivered (social rent, mid-market rent and affordable home ownership). Within the programme guidance, the Scottish Government makes some assumptions about affordability. For example, there is an expectation of the rent an RSL will charge for new social housing funded through the programme.² But after the first let, the RSLs' own rent setting policy will apply. The Scottish Government also expects council social rent levels to be kept affordable, balancing this with local market conditions and contributions to the overall cost of the home. The Scottish Government provides guidance for councils carrying out their housing needs and demands assessments (HNDAs) ([Exhibit 3, page 14](#)).³ This uses broad assumptions about future affordability for the purpose of planning housing.⁴

It is not clear how the national target links to local housing needs and wider outcomes

16. Housing is a long-term asset, so it is important that the right types of new homes are provided where they are most needed. Setting a broad national and numbers-based target creates the risk that the homes delivered are not located in the places with the greatest levels of need, or are not the right type to best meet people's housing needs.

17. In general terms, the Scottish Government's target is a response to clear evidence of the need for more affordable housing in Scotland. For example, in 2015, the Chartered Institute of Housing (CIH) Scotland, Shelter Scotland and the Scottish Federation of Housing Associations (SFHA) published research that concluded there was a need for at least 60,000 affordable homes across Scotland over the next five years, although the research was not specific about the number of social rented units that would be required.⁵

18. While councils and RSLs have welcomed the investment in housing as it can help to meet shared local priorities, there is a disconnect between the national target and local assessments of need. Councils are responsible for assessing housing need in their area through a strategic planning process ([Exhibit 3, page 14](#)). The Scottish Government does not collate information from councils' local assessments of need and there are some difficulties in doing so. For example, not all assessments cover the same time period and some councils use different data sources based on local circumstances. There is no evidence available to show that councils' local assessments of need informed the 50,000 affordable housing target and 35,000 social rent target. The Infrastructure Commission for Scotland identified a need for greater coherence at both regional and national levels towards the assessment of housing needs and demands.⁶ This may help to make a better connection with any future nationally set targets.

19. The disconnect between the national target and local assessments of need, means that it is not possible to determine whether the Scottish Government's investment is targeted most effectively to deliver new affordable homes of the right types in the right locations. This limits the judgements that can be made on the overall impact of the investment on national housing need.

20. Although the More Homes approach contributes to the wider housing and regeneration outcomes, the Scottish Government did not clearly set out how the target links to these outcomes or the National Performance Framework (NPF) outcomes, or how it would measure the impact of affordable housing delivery against these wider national outcomes. The NPF was revised in 2018 with three of the 11 outcomes referring to housing specifically: communities, poverty and environment. However, affordable housing can also contribute to improving other outcomes such as those relating to health, education, children and young people, equalities, and the economy.

In developing their housing plans, councils balance their knowledge of local need with what can be achieved

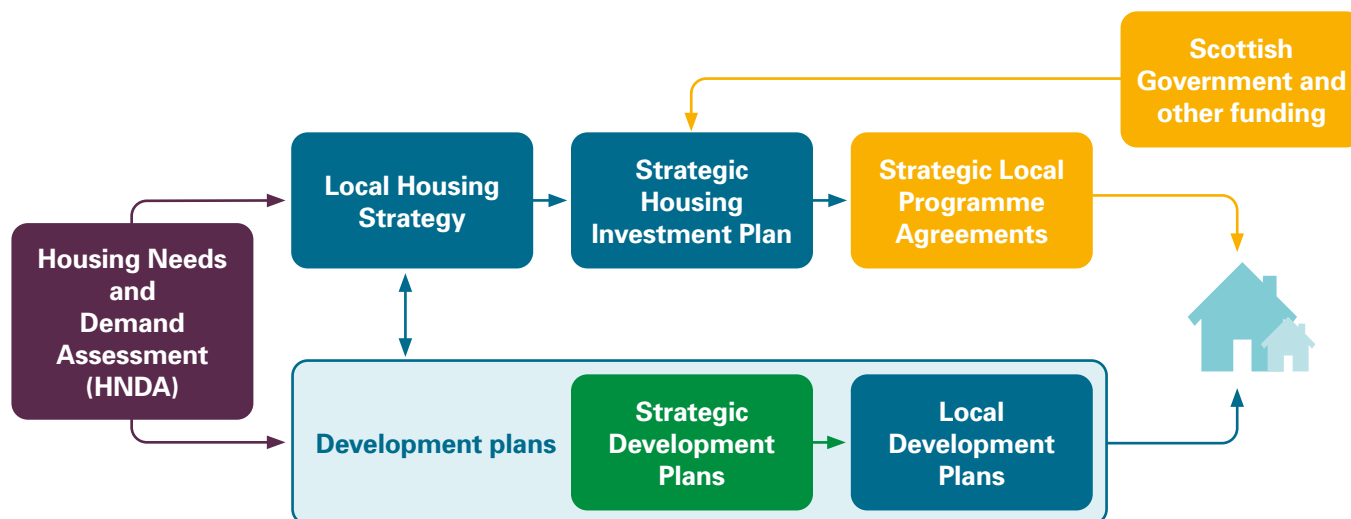
21. Councils have important strategic roles. They plan the delivery of affordable housing within a complex system through a series of linked plans, underpinned by legislation, Scottish Government guidance and oversight arrangements ([Exhibit 3, page 14](#)). Councils carry out a HNDA which is the starting point for estimating current and future housing needs in their areas. This forms part of councils' housing and land use planning strategies.

22. Councils' decisions about the affordable housing projects to include in their SHIPs are prepared in the context of the Scottish Government's funding arrangements established to support the national target ([paragraph 31](#)). Practical issues, such as the availability of suitable sites, and the availability of other funding, also influence how projects are prioritised and ultimately what gets built.

Exhibit 3

Planning for housing at a local level is complex

The new homes that are delivered are the result of a range of policy decisions and practical considerations.



Housing need and demand assessment (HNDA)¹

- starting point for estimation of housing needs and demands
- reviewed around five years
- Scottish Government provides a modelling tool for councils to use
- Scottish Government assess whether these assessments are 'robust and credible'

Scottish Government and other funding

- Resource Planning Assumptions from the Scottish Government provide the available budget for grant for local programmes
- other funding sources include other funding from the Scottish Government, councils and RSLs

Strategic local programme agreements

- Scottish Government funding commitments over three years

Local housing strategy

- sets out a strategic vision for the delivery of housing and housing related services and the outcomes that it will seek to achieve
- sets out investment priorities
- five-year plan
- reflects wider policy goals
- reflects housing supply targets which are based on the HNDA and take account of wider policy and practical issues
- councils keep under review
- is subject to a review by Scottish Government officials and peer review involving council officials
- subject to consultation

Strategic housing investment plan

- sets out proposed projects that will contribute to delivering against investment priorities for five years
- proposes projects for Scottish Government funding
- based on LHS priorities
- updated annually
- subject to consultation
- the Scottish Government provides feedback to councils

Development plans

- set out the long term vision, based on national and local priorities, for development in the areas they cover, including supply of land for housing and appropriate affordable and specialist housing policies
- subject to consultation

Strategic development plans²

- four city regions covering Aberdeen, Dundee, Edinburgh and Glasgow
- review within four years

Local development plans

- within city regions – two years to adopt following SDP approval
- outwith city regions – five years to adopt

Notes:

1. Councils can work in a housing market partnership area, with other councils, to carry out a housing needs and demands assessment.
2. The Planning (Scotland) Act 2019 will abolish the requirement for strategic development plans.

Source: Audit Scotland

Good progress has been made and the Scottish Government reports that it is on track to meet its target. However, risks to its delivery remain.

The Scottish Government has good governance arrangements in place to oversee progress towards the target

23. The programme is managed through a central team and five area teams covering different regions in Scotland. At the outset of the target, additional staff were allocated to each area team to help councils and their partners respond to the increased scale of the target. The area teams work well with councils and their partners to agree and progress affordable housing programmes within their areas.

24. A programme coordination group oversees the AHSP and delivery of the target. The group reports to the More Homes Scotland Board, which includes all members of the More Homes Scotland management team. The board meets quarterly and receives updates on progress towards the target from the programme coordination group. At each meeting, the board considers a comprehensive risk register setting out the risks to the delivery of the target and any actions planned in response.

25. Recent action taken by the Scottish Government to help councils and RSLs to meet the target includes:

- supporting councils to buy more existing homes rather than build new ones that take longer to deliver, where this is in line with local priorities
- bringing forward the reallocation of money for local programmes earlier in the year to accelerate plans and deliver additional homes ([paragraphs 35–37](#)).


Good progress towards the target has been made

26. The Scottish Government did not set any milestones for progress towards the target or any expectation of the number of homes to be delivered in each council area. This is because each council is responsible for planning its own programmes. As funding will increase towards the end of the five-year programme ([paragraph 31](#)) there is a rise in the number of homes due to be completed in the last two years of the programme.

27. At December 2019, good progress towards the target had been made:

- Sixty-two per cent of the overall 50,000 target had been met ([Exhibit 4, page 16](#)).
- Fifty-eight per cent of the 35,000 homes for social rent target had been met.

There are a number of risks to delivering the programme

28. In its assessment of **progress towards the target** , undertaken in September 2019, the Scottish Government reported that the target could be met. This assessment was based on the number of approvals made since 2015/16 and planned approvals for the remainder of 2019/20. As it can take at least 18 months from the approval of a new home for social rent to its completion, most of these approvals had to be made by December 2019. However, uncertainty about the Scottish Government's investment plans post-2021 may have affected social



Progress towards the target

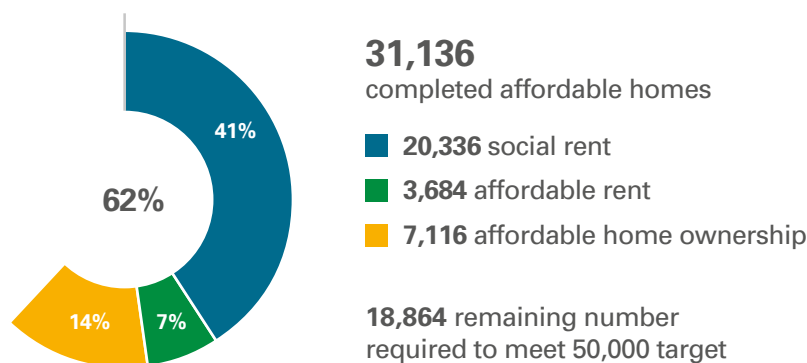
Progress towards the target is measured by official statistics on the number of homes that are 'completed' as recorded by the Scottish Government's Affordable Housing Supply Database. Statistics also measure 'approvals.' This is the point at which funding for a new home is approved.

landlords' willingness to put forward projects for approval during the latter half of 2019 ([paragraph 114](#)); there is a risk that any projects that do not complete by March 2021 may not be fully funded.

Exhibit 4

Progress towards delivering the affordable housing target by tenure

62 per cent of the target was delivered by December 2019.



Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme quarterly statistics

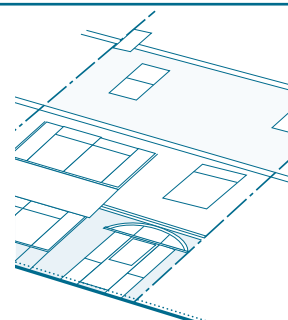
29. By December 2019, 31,622 homes for social rent (90 per cent of the social rent target) had been approved.⁷ It is not possible to assess how many of these homes will be completed within the target period. Councils and RSLs with recent approvals for new-build homes will need to progress quickly to start work on site in order to complete before March 2021. The high proportion of homes due to be completed in the last two years of the programme increases the risks to delivering the target. These risks include:

- delays in construction as a result of a lack of skilled labour in the construction industry in some areas ([paragraph 96](#)) which could be exacerbated by the UK leaving the European Union
- delays in obtaining planning permission or other necessary building consents as a result of pressure on council planning and building control staff ([paragraph 101](#)).

This leads us to conclude that the target, and particularly the social rent element, is at serious risk of not being met.

Part 2

Delivery and impact of the affordable housing target



Key messages

- 1** Over the first three years of the programme, the Scottish Government has invested around £1.9 billion to meet its target. In addition, there has been significant investment from RSLs and councils.
- 2** Councils are generally working well with their partners to plan and deliver new affordable housing in their areas. Councils have effective working relationships with RSLs. But there is mixed involvement from health and social care partners. Some councils demonstrate good tenant and community involvement in plans for new affordable housing, but this could be more consistent. This will help to improve the impact from the investment.
- 3** Across all council areas, new affordable housing, including housing to meet the particular housing needs of older people and those with disabilities, is being delivered. The delivery of affordable housing varies according to local needs, circumstances and priorities.
- 4** The investment is meeting some housing needs, and there is some evidence of positive benefits to tenants, local communities and the economy, although the Scottish Government's, and councils', monitoring and reporting of wider impact is limited.
- 5** Increasing capital investment by councils and RSLs, to fund new housing and improve their existing stock, may result in increased rents. This could ultimately affect how affordable rents are for tenants.

The Scottish Government has spent £1.9 billion to meet its target to date, and there has been significant investment from councils and RSLs


Most of the money is spent on grant funding for local programmes

30. Between 2016/17 and 2018/19, the Scottish Government spent £1.9 billion (in real terms) to meet the target. Of this, £1.5 billion was spent on grant funding for local programmes ([Exhibit 5, page 19](#)).

31. The grant funding arrangements have helped councils to plan to meet the target. The Scottish Government provides each council with a resource planning assumption (RPA) which sets out the minimum amount of grant funding that is available to spend on local programmes in each area

[paragraph 109](#) explains how these are distributed). In June 2017, the Scottish Government gave councils a three-year RPA allowing them to plan with more certainty over the medium term.⁸ In addition, the Scottish Government increased RPAs towards the end of the programme to give councils and their partners time to plan to meet the increased target. In real terms, RPAs in 2020/21 will be 53 per cent higher than in 2016/17.

An increase in grant subsidy benchmarks has helped social landlords to build new homes but some report cost pressures

32. In 2016, the Scottish Government increased the amount of **grant**  it provides to social landlords for each home they build. The decision was made following a report of a Joint Subsidy Working Group that included representatives of councils and RSLs. The increase in grant, of up to £14,000 per home, has allowed social landlords to build more homes to help meet the target.

33. Some social landlords, however, now report that the cost of building new homes is increasing ([paragraph 97](#)). Some councils also have concerns about the lower grant levels for councils compared to those for RSLs. Scottish Government grant for new council homes was introduced in 2009 and the principles were agreed with COSLA. Following the work of the Joint Subsidy Working Group, council subsidy benchmarks were increased although the difference in subsidy benchmarks was maintained. One of the reasons for lower grant levels was that councils could borrow money at lower interest rates than RSLs. During our fieldwork one council reported that the cost of borrowing is now similar to that of RSLs.

34. The Scottish Government can approve higher grant subsidy levels in certain circumstances to allow plans for new homes to proceed. We saw examples of this during our fieldwork, including an RSL development in Argyll and Bute where development costs were high. It is difficult to assess how often higher grant levels are approved as the Scottish Government does not record this information.⁹

Monitoring through the year allows the Scottish Government to reallocate funding but it is not always clear how these decisions are made

35. If the annual funding cannot be spent in a council area within the year, for example, because plans have slipped, the Scottish Government can reallocate funds to another council. Scottish Government guidance advises councils to over-programme their SHIP to allow for slippage in their plans. This approach helps to make sure that annual budgets are spent.

36. It is not always clear how decisions to reallocate funding are made. While the Scottish Government attempts to reallocate funds within the same region, there can be wide variations between RPAs and expenditure on local programmes in each council area ([Appendix 2, page 45](#)). Between 2016/17 and 2018/19, expenditure in 17 council areas was greater than the RPA, and in 15 council areas it was less than the RPA. Variations can be large, for example over the period 2016/17 to 2018/19:

- expenditure in Aberdeen City Council area was 47 per cent greater than the RPA
- expenditure in East Renfrewshire Council area was 60 per cent less than the RPA.



Scottish Government grant subsidy

Social landlords use Scottish Government grant subsidy, in addition to their own funding, to build homes. Without enough grant, social landlords may find it hard to provide the new homes they want to, in the right locations, while keeping rents affordable for their tenants.

The Scottish Government sets grant subsidy benchmark levels. These vary depending on the provider, geographic area, tenure and energy efficiency standards. The benchmarks for RSL homes also vary according to size and vary from £44,000 to £84,000 per home. For councils, there is a flat rate benchmark of £57,000 per home or £59,000 for a 'greener' home. Further details are in the Scottish Government guidance [MHDGN 2019/01](#).  Subsidy, at variable levels, is also available for social landlords to purchase existing homes.

37. Many factors influence whether funds can be spent within each year, including the unpredictable nature of house building, how deliverable councils and their partners plans are and local priorities.

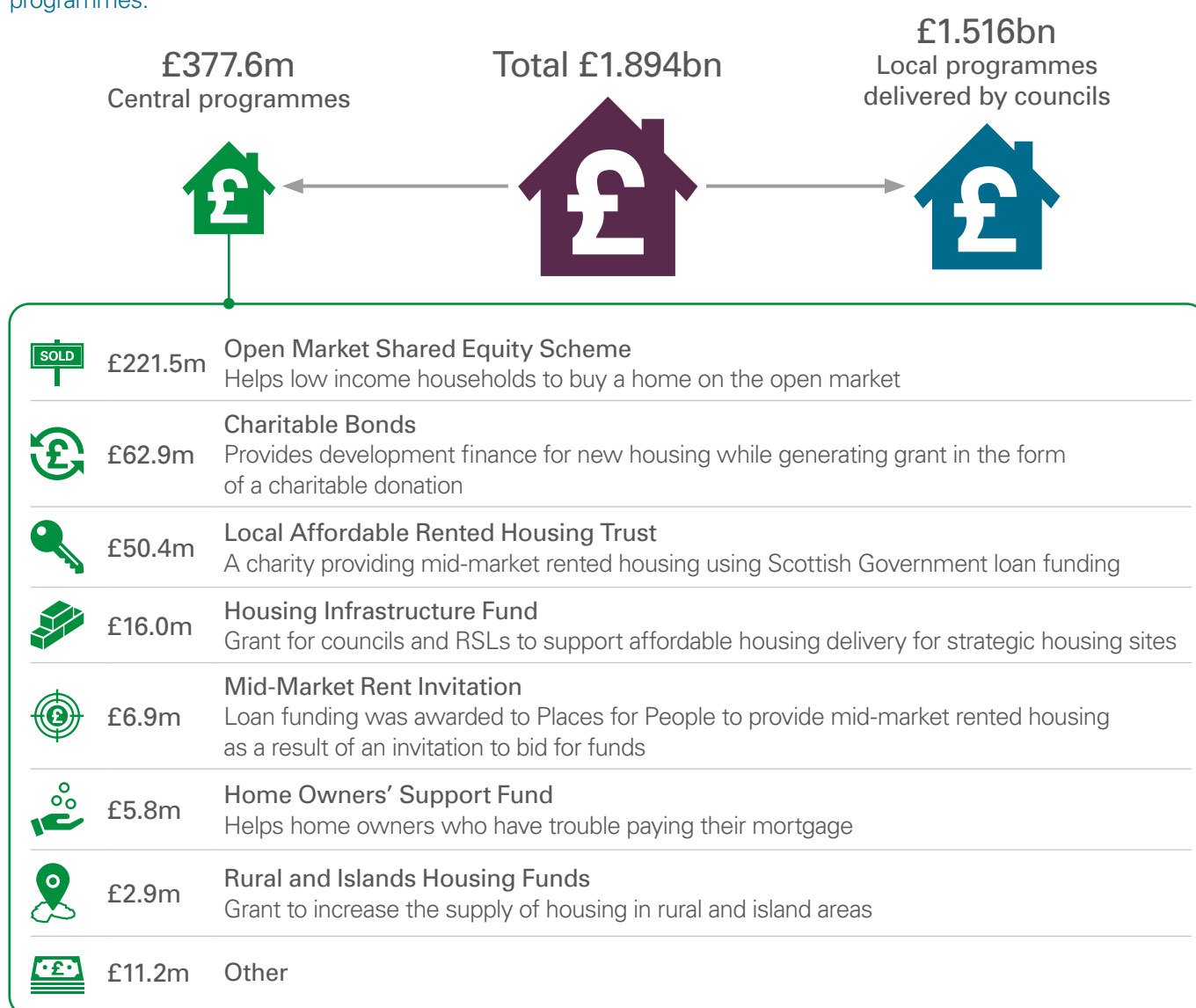
A range of other funding programmes are managed by the Scottish Government but there is little assessment of the impact of these

38. In addition to the funds from the local programmes, councils can also benefit from spending in their area through the centrally managed programmes ([Exhibit 5](#)). These funding programmes include a mix of long-established schemes, and newer schemes, some of which have been designed to make use of loan funding which can only be used by non-public sector bodies.¹⁰

Exhibit 5

Scottish Government expenditure on the Affordable Housing Supply Programme 2016/17 to 2018/19

The Scottish Government has spent £1.9 billion. Of this, £1.5 billion has been spent on grant funding for local programmes.



Note: The Scottish Government provided the audit team with minor revisions to the published expenditure data for 2016/17.

Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme out-turn reports 2016/17 – 2018/19; and GDP deflators at market prices and money GDP September 2019, UK Government, 2019

This funding approach supports the delivery of different types of affordable housing, and can help meet different types of housing needs, but the impact of these schemes is not always clear.

39. One of the larger government schemes is the Open Market Shared Equity Scheme, first established in 2006. Under this scheme, the Scottish Government provides a shared equity loan to first-time buyers and other priority groups allowing them to buy a home on the open market. Between 2016/17 and 2018/19, around 5,200 households bought a home through the scheme. A review in 2011 identified some positive impacts.¹¹ Since then, the Scottish Government has also invested further resources to help people become home-owners, through the Help to Buy (Scotland) Affordable New Build scheme (which is not included in the 50,000 target). The Scottish Government has commissioned research into these schemes. This will help to establish the current relevance of the schemes and their impact.

Councils and RSLs are investing significant additional funds in affordable housing, but it is difficult to calculate the total investment


40. In addition to Scottish Government funding, councils, RSLs and others are investing significant resources to meet the target. The Scottish Government publishes the total cost of the homes it funds through the AHSP at the point homes are approved. Between 2016/17 and 2018/19, the total cost of all homes approved through the AHSP was £4.3 billion. Of this, Scottish Government funding was, in real terms, £2 billion (46 per cent of total costs) with additional investment from other providers of around £2.3 billion (54 per cent of total costs). Of this additional investment, £1.4 billion was invested in homes for social rent:

- The total cost of council social rented homes approved was £751 million. Scottish Government funding accounted for 39 per cent of this total.
- The total cost of RSL social rented homes approved was £2.1 billion. Scottish Government funding accounted for 56 per cent of this total.

41. If costs rise after a project is approved and the council or RSL pays these costs without any government subsidy, this is not recorded by the Scottish Government. Some councils have also purchased existing stock without using Scottish Government grant funding so that they can use more of their grant for building new homes, which can be more expensive. National data sources do not allow us to quantify the extent of such provision, although our fieldwork suggests that it is on a relatively small scale. These purchases will not be reported to the Scottish Government and will not be included in the statistics that measure progress towards the 50,000 target. A more complete understanding of total investment in affordable housing may help to identify any pressures on costs and could help to make sure that resources are targeted in the most effective way.

Councils are generally working well with partners to plan and deliver affordable homes in their areas

Councils are working well with RSLs in their areas to deliver new housing

42. Councils have effective working relationships with **RSLs**  in their areas, which helps to facilitate the planning and delivery of affordable housing. Examples of this include regular partnership meetings, for instance at a strategic or operational level, to discuss local priorities and progress with delivering affordable housing.




RSLs


There are around 160 RSLs in Scotland, although not all are developing new housing. The number operating in any council area varies. For example, there are 12 RSLs operating in Aberdeenshire and 25 in the City of Edinburgh.

43. In addition, some councils support RSL developments by providing funding, including the use of funds raised from additional council tax charges on empty homes in the area. For example, in 2017/18 Glasgow City Council used additional funds from council tax on second and empty homes worth £2.6 million to facilitate the development of 140 affordable homes. This provided additional funding to the affordable housing supply budget for demolitions and ground works to make projects viable.

There is mixed involvement from health and social care partners

44. Investment in housing can have a positive impact on an individual's health and wellbeing. It can also play a part in achieving an **Integration Authority's**  goals. For example, providing a more suitable home for patients to move into upon leaving hospital, by either adapting an existing property or moving into a new purpose-built property, can reduce the incidence of delayed discharges. We reported, in November 2018, that three-quarters of Integration Joint Boards indicated some involvement of housing services in the planning of integrated health and social care services, but that the extent varied by partnerships.¹² Each Integration Authority must include a housing contribution statement in its strategic commissioning plan, setting out how it intends to work with housing services to deliver its outcomes.

45. We found variable involvement of health and social care partners working together with councils in the planning for new affordable houses, but the level of joint working is not always clear. For example:

- Twenty-four councils' SHIPs (2019/20–2023/24) reference some health and social care partnership (HSCP) involvement. Such involvement includes representation of the HSCP on strategic housing groups and reviewing and developing new models, of specialist housing provision.
- These SHIPs also identified some examples of joint working between councils or RSLs and HSCPs to develop **housing for people with particular needs** . For example, using technology to allow people to stay in their own home for longer.
- Some health and social care partnerships are funding posts jointly with the council to better understand housing needs. For example, Argyll and Bute Council and Argyll and Bute HSCP have jointly funded an occupational therapist on a pilot basis.
- Highland Council's SHIP states that any capital investment in new care service housing requires a partnership approach and will only be supported if essential revenue funding is available from health and social care budgets.

46. The Scottish Public Health Network reported that there was enthusiasm for more joint working between those involved in health and housing but that several barriers made this difficult.¹³ These are similar to those identified in our 2018 report *Health and social care integration: update on progress* and included different organisational cultures, lack of resources and a need for clear leadership and direction. Health and housing officials also recognised that they should focus on how good-quality, appropriate housing can contribute to good health across



Integration Authorities

The Public Bodies (Joint Working) (Scotland) Act 2014, requires councils and NHS boards to work together to form new partnerships, known as Integration Authorities (IAs). There are 31 IAs, established through partnerships between the 14 NHS boards and 32 councils in Scotland.²⁹



Housing for people with particular needs

Some people, including the elderly and people with disabilities, require specialist housing that is designed or adapted to meet their particular needs. For example, a wheelchair user may require rooms over a certain size and appliances at particular heights.



Health and social care integration: Update on progress
November 2018 

the population. The Scottish Government updated its LHS guidance in September 2019 and states that councils, in their LHS, should demonstrate how priorities and outcomes have been developed collaboratively with Integration Authorities.¹⁴

47. Where good partnership working has taken place, this includes HSCP's involvement in the strategic planning and commissioning process, in addition to funding contributions ([Case study 1](#)). In some areas, however, there is not enough involvement from health and social care partners. Given the important links between health and housing, more consistent involvement from health and social care partners will help ensure that people are receiving the right type of housing for their health and social care needs.

Case study 1



Dundee City Council health and housing

Dundee City Council, Dundee Health and Social Care Partnership (DHSCP), and RSLs operating in the area, work together to commission housing for people with particular needs. There is a clear framework in place that enables a range of key health and social care groups, including eight service-specific strategic planning groups, to feed into the commissioning process and the development of the LHS and SHIP.

The partners consider whether existing social rented stock could be reconfigured for people with particular needs before deciding whether new-build housing is needed. When commissioning individual housing developments, the council, DHSCP and the housing provider work together to agree on the specific requirements for a development, including the numbers of homes and bedrooms per home. They will also agree on any design features that are suitable for the clients' needs, such as level and non-slip flooring, no thresholds or steps, secure gardens, level access showers and smart technology.


For each commissioned development, partners agree on funding. For example, one of the projects commissioned in 2017/18 was for a 12-home development for people with a mental health condition requiring onsite care and support from a staff team. DHSCP met full revenue funding for the development and paid a capital contribution of £219,000.

DHSCP staff report that this approach has improved outcomes for their clients. For example, their clients have more choice and control of their lives and can keep their support networks close by and remain in the city, rather than having to move away to access suitable housing. One individual with a mental health condition requiring onsite care and support from a staff team, who had been in long-term hospital care for almost ten years, was able to move into suitable supported accommodation.

Source: Dundee City Council and DHSCP

Some councils demonstrate good tenant and community involvement in plans for new affordable housing, but this could be more consistent

48. It is important that councils involve tenants and communities in the process of planning new affordable housing. This allows them to influence its delivery and aligns with the principles of community empowerment, which is a national priority for the Scottish Government. Councils have a duty to work with community planning partners, and community bodies, to improve local

outcomes. **Community empowerment**  has many benefits for communities. For example, it can help to identify priorities and direct investment in public services to where it is most needed, including towards improving the character of an area, transport links, local amenities and open spaces.¹⁵ It can also lead to better outcomes for communities and tenants, including improved quality of life and community safety, and greater satisfaction with their local neighbourhoods.

49. We found some good examples of tenant and community engagement and involvement in affordable housing development, but there was some variation between councils:

- The case study councils have engaged well with local communities, including communities of interest, such as older people and gypsy travellers, to better understand local priorities and inform their LHSs.
- All social landlords have a responsibility to consult with tenants on a range of housing issues, which is often done through a tenant's participation group. The quality of these arrangements, however, varied between the case study council areas. South Lanarkshire Council has well-established arrangements, including a Tenant Participation Coordination Group, with 16 tenant representatives. A budget scrutiny group is involved in planning and delivering the annual rent setting consultation for all tenants. The group also reviews spending priorities within the Housing Revenue Account and capital programme including the impact of new-build proposals on rent.
- Tenants reported variations in the quality of engagement about affordable housing delivery. For example, some reported being involved in discussions from an early stage, whereas others felt that there was a lack of consultation on plans. This creates a risk that the wider outcomes for tenants and communities (for example, improved quality of life) will not be met.

50. Placemaking is also an important consideration for councils in the planning of affordable housing. This is an approach to planning, designing and managing places that involves discussions with communities to establish their needs and aspirations to create an overall vision for an area. It also helps to empower communities.¹⁶ We found clear examples of developments that reflected a commitment to placemaking ([Case study 2, page 24](#)).

51. Tenants reported that housing in good locations with access to services (including GP surgeries) and to public transport at night was important to them. The case study councils, and the RSLs we spoke to in those areas, demonstrated an awareness and commitment to building affordable homes in areas with links to services. One RSL reported that it had decided not to take ownership of a home through a Section 75 contribution ([paragraph 91](#)) from a private developer because it was concerned that the development's location, on the outskirts of a town, was not suitably located for its tenants.



Community empowerment

The Community Empowerment (Scotland) Act 2015 gives communities greater influence on, and input to, the decision-making by public bodies and their partners. It aims to reduce inequalities and improve the wellbeing of communities, particularly those suffering from persistent inequality.

Case study 2

Meadowbank, The City of Edinburgh Council



Between 2018 and 2019, the City of Edinburgh Council consulted with communities in Meadowbank on a masterplan for the area. This focused on the redevelopment of surplus land surrounding a new sports centre for mixed uses, including building a mixture of affordable homes and private homes for sale. There have been four stages to community engagement to date, as outlined below:


- Public consultations – the local community was invited to share its knowledge, opinions and aspirations for the site through an online survey and three consultation events using the Place Standard tool. The tool helps to facilitate conversations about the physical elements of a place (such as buildings and transport links) and its social aspects (such as influence and sense of control in decision-making). It can also help identify where investment should be targeted.
- Design workshops – representatives from the local community worked with council officers and designers to consider how the site could be designed. Themes included housing and community; economy and local amenity; and active travel, cycling and streets.
- Visions and ideas – public events were held to present and discuss the initial proposals with the local community in early 2019.
- Next steps – communities were presented with the masterplan proposals developed from the consultation.

The finalised masterplan proposes that approximately 600 homes will be built on the Meadowbank site, with a minimum of 35 per cent being homes for social rent and MMR and a mix of one-, two- and three-bedroom homes. The local community has helped to influence this masterplan. For example, the council has made specific changes to the provision of student accommodation on the site, as the community was strongly opposed to this.

Source: The City of Edinburgh Council

There is evidence that some housing needs are being met although reporting at national and local levels is limited

52. The Scottish Government's out-turn reports contain information on the delivery of housing through the programme including some information at council level. There are some weaknesses in these reports including a lack of detail on the size and type of homes delivered. The Scottish Government holds some data at a council level that it does not report on, including:

- the postcode data for the new homes that it has funded and that have been completed
- data on new affordable homes that have been approved that meet the **greener standard**  ([paragraph 74](#))
- data on new affordable homes completed that meet people's particular housing needs ([paragraph 60](#))
- data on new affordable homes completed that are new-build, off-the-shelf or rehabilitations.



Greener standard

Councils and RSLs qualify for a higher benchmark subsidy if building standards for new homes meet Section 7, Silver Level, of the 2011 building regulations for both carbon dioxide emissions and energy for space heating. This is known as the greener standard.

Publishing this data would help to improve the transparency of funding decisions that the Scottish Government makes at a council level and allow for a better demonstration of the impact of its investment.

53. The impact of the new affordable homes within each council area will vary according to local circumstances. Reporting by councils is commonly based on outputs, such as the number of homes delivered as a proportion of local targets. Local reporting can lack clarity, for example, on how this links back to overall housing need and pressures within the council area. This means that there is a risk that councils will be unable to sufficiently demonstrate value for money from their investment.

54. We reviewed the case study councils' LHSs and SHIPs alongside their progress reports. This provided some assurance that affordable housing was being delivered in councils' priority areas. By reporting this information in a more transparent manner, councils should be able to better demonstrate how they have met their local priorities. This would also help councils to more clearly demonstrate that homes are being built in areas with access to local services ([paragraph 51](#)).

Investment is leading to a net increase in social housing

55. The investment in the target, combined with the end of the **Right to Buy**  scheme, is leading to an overall increase in the number of social homes in Scotland. The Scottish Housing Regulator reports that, at 31 March 2019, councils and RSLs provided 600,856 homes to rent, an increase of 1 per cent (6,261 homes) since 31 March 2016.¹⁷

56. By the end of the five-year programme, if the 35,000 social rent completions element of the target is met, we estimate that the net impact of the target (after estimating for council demolitions) could be around an additional 23,800 social rented homes, although this is at the upper end of estimates.¹⁸ We have not estimated for RSL demolitions because of the unreliability of the data.

New affordable homes are being delivered in all council areas

57. The number and tenure of new homes delivered varies between council areas, reflecting local circumstances, priorities and longer-term patterns of delivery ([Exhibit 6, page 26 and Appendix 3, page 47](#)).

58. Between 2016/17 and 2018/19, 5,355 homes for social rent were completed by councils and 10,968 were completed by RSLs ([Appendix 3, page 47](#)). Some councils, such as Fife, West Lothian and North Lanarkshire, have relatively large-scale programmes of new council house building. Other councils (including the six councils that have transferred all their housing stock: Argyll and Bute, Comhairle nan Eilean Siar, Dumfries and Galloway, Glasgow, Inverclyde and Scottish Borders) rely more on RSLs in their area to deliver new homes for social rent. There are several other factors that may influence a council's decision to build new homes, including its capacity to borrow money, existing rent levels, and tenant priorities.

59. The City of Edinburgh Council had the greatest number of mid-market rent (MMR) completions (1,238) between 2016/17 and 2018/19, whereas there were no MMR completions in 12 council areas. In 2018, research reported mixed views on the potential for MMR housing across council areas.¹⁹ Some council officers felt that, while there was demand for such homes in their areas, its development

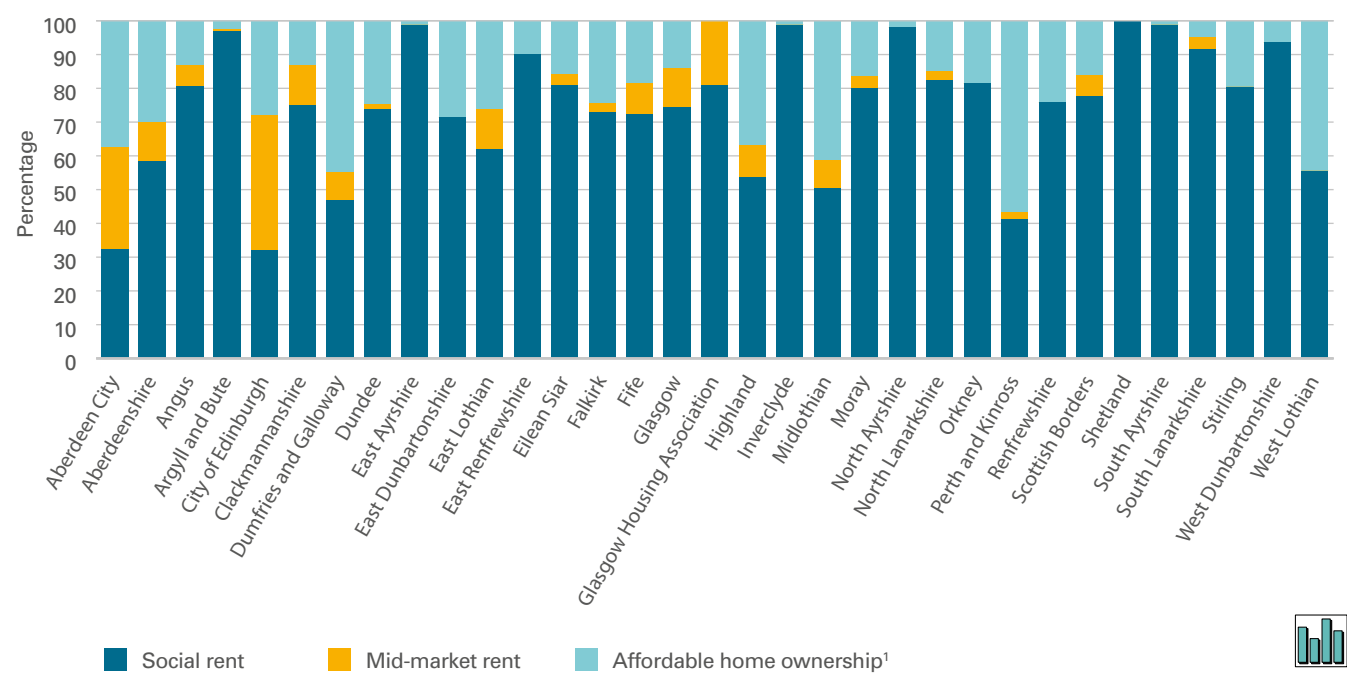


Right to Buy

The Right to Buy scheme gave social rented tenants the right to buy their home at a discounted price. The scheme ended on 31 July 2016, although the time taken to progress sales means there were still recorded sales in 2017/18 and 2018/19.

was not financially viable. Others felt that local housing market conditions limited the demand for MMR as there was not enough difference between local private rent levels and social rent levels. Homes for MMR are used more widely in the City of Edinburgh than in other areas to help overcome affordability issues in its particularly pressured housing market.

Exhibit 6
The tenure of homes delivered through the Affordable Housing Supply Programme between 2016/17 and 2018/19 varied by council area
Local delivery reflects varying priorities and longer-term patterns of delivery.



Notes:

- 1. 'Affordable home ownership' includes completions under the Open Market Shared Equity scheme. This is a Scottish Government central programme that individuals can apply for. Councils do not have a role in planning for this scheme.
- 2. The Scottish Government provided the audit team with updated statistics on AHSP completions during the course of the audit. Therefore, some of the data we have used in our analysis does not match that which is reported in the out-turn reports.

Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme out-turn reports 2016/17 – 2018/19 and additional out-turn data

Some social landlords are providing new affordable housing that meets the specialist housing needs of older people and those with disabilities

60. Between 2016/17 and 2018/19, 1,577 homes were purpose built for older people and 742 for disabled people, including 625 that were specifically designed for wheelchair users. As national reporting is limited to housing that is purpose built, this may not fully account for what is happening at a local level. For example, some homes may be suitable for people with particular needs to live in, but have not been purpose built.

61. The Scottish Government requires councils to set evidence-based targets for the delivery of wheelchair accessible homes across all housing tenures by the

end of 2019, and to report annually on progress in their SHIPs. Councils report that it is not always possible to accurately predict future needs.

62. It is not clear if there will be any potential funding implications arising from this requirement. Research has found that grant subsidy levels may not be enough to support the delivery of housing for people with particular needs including people who use wheelchairs.²⁰ Current grant subsidy arrangements, however, are flexible and can support more expensive projects if required. The Scottish Government should monitor the impact of the requirement for wheelchair-accessible targets and consider whether or not any changes to grant subsidies are required.

63. Over time, people's housing needs will change. For example, this may be as a result of getting older and needing aids and adaptations to homes to live independently. Councils and their partners need to consider both the current and future needs of local communities when planning affordable housing to allow it to be sustainable. There is some evidence that this is happening. For example, South Lanarkshire Council has built 107 council homes (30 per cent of all social rented homes completed by the council within the first three years of the programme) with a bedroom situated next to a wet room that has removable panels to allow for hoists or other specialist equipment to be installed, should tenants require these.

Progress with plans for affordable housing delivery across council areas is mixed

64. Councils monitor progress with affordable housing delivery through their own LHS monitoring and reporting arrangements. As performance measures and reporting arrangements vary across councils, it is difficult to compare councils' performance in delivering their affordable housing plans. In addition, some councils' LHS reporting lacks transparency as progress reports are not always easily accessible on their websites. The Scottish Government updated its LHS guidance in September 2019 and now requires councils to monitor progress annually, report this to the More Homes Division area teams and publish all LHS documentation on their websites.²¹ This should help to improve transparency.

65. We reviewed progress reports by the case study councils and some other councils that have spent less than the available Scottish Government grant funding ([Appendix 2, page 45](#)). Using the available information, we have concluded that councils' progress towards their own local affordable housing delivery plans is mixed. A range of reasons can affect councils' progress, including some of the barriers that social landlords face when delivering affordable housing ([Exhibit 9, page 35](#)).

There are still unmet housing needs

66. Councils report that current plans for affordable housing will not address all housing needs in their areas. This is partly because housing needs are always changing, and new needs will arise. Moreover, local housing supply targets are based on what can realistically be delivered.

67. Without an assessment of national housing needs, it is difficult to assess the scale of current unmet needs, although councils have a clearer picture at a local level. The SFHA, CIH Scotland and Shelter Scotland are currently in the process of updating their national housing needs study. This is due to be completed in spring 2020 and may provide some understanding of housing needs across the country.

Meeting housing needs does not always have to be achieved through new-build

68. The programme is focused on new-build homes. At December 2019, 68 per cent of the affordable homes completed under the current programme resulted from new building, 26 per cent were off-the-shelf purchases of existing property and seven per cent were improvements to existing properties.

69. Councils and RSLs report that there are opportunities to use existing stock more effectively, for example by increasing the number of adaptations of properties to allow tenants to remain in their own homes. Some councils also have schemes to buy existing homes on the open market. For example, South Lanarkshire Council has an open market purchase scheme that targets the purchase of property to increase the council's supply of priority house types and sizes depleted through right to buy, meet specific and urgent housing needs and for wider housing quality improvement and regeneration outcomes. The council purchased 33 homes through the scheme in 2017/18 and 60 in 2018/19. Councils report that this can be a cost-effective way of meeting housing needs in their areas. Scottish Government grant funding can be made available for these schemes where they are in line with council's strategic priorities. The Scottish Government needs to be clear about the purpose of its investment and the focus on new-build in its programme.

70. Some councils have demolished unsuitable homes and built new homes as part of wider area regeneration ([Case study 3](#)). It is important that councils engage with local communities to co-produce plans for regeneration and understand what housing needs require to be met. In addition, councils should be clear about the intended impact of, and outcomes to be improved through, regeneration activity and have clear measures in place to monitor these.

Case study 3

East Whitlawburn, South Lanarkshire



East Whitlawburn is an area in Cambuslang which, until recent years, had 380 two- or three-bedroom flats and 30 amenity bungalows. There was low demand for housing in the area as a result of its stock profile and a high proportion of single people and couples living in the area. In addition, there were high turnover rates, with about one-quarter of properties becoming vacant each year. East Whitlawburn was also a deprived area, with issues of anti-social behaviour and poor tenant satisfaction.

The council has undertaken extensive engagement with the local community to consider their views for the regeneration, resulting in the preparation of an area masterplan to deliver the regeneration. Their housing needs have also been established through this engagement and have been incorporated into the planning and delivery of affordable housing in the area, following the demolition of old stock. The community were keen that in any new development, all homes would be built to a tenure neutral design standard. In August 2019, planning permission was approved to build 311 mixed tenure homes on this basis. The development will be constructed by CCG Group and will comprise 230 social rented properties made up of amenity flats, mainstream flats, bungalows and two-, three- and four-bedroom houses, reflecting the needs of the community. West Whitlawburn Housing Cooperative, a local RSL, is a partner in the regeneration project and will take ownership of 60 of the homes when these are complete. CCG Homes will also build approximately 81 additional new homes for sale or private ownership as part of the regeneration programme. CCG Group will deliver a number of community benefits as part of the contract.

Source: South Lanarkshire Council

71. In some areas where the levels of need identified are lower, there is a risk that investment in building new homes may result in existing homes that cannot be let as tenants move from less desirable older homes to new ones. For example, the Glasgow and Clyde Valley HNDA estimated that the need for social rented homes in the Inverclyde area between 2012 and 2029 was zero.²² Inverclyde Council, however, has set housing supply targets that include 90 affordable homes each year over the LHS period (2017–22). The council has taken this approach to encourage residents to stay in the area and to encourage people from elsewhere to move into the area. Along with River Clyde Homes, a local RSL, the council has commissioned research to establish the extent to which new supply might impact on existing stock. The council will use this to inform future plans. Councils need to assure themselves as far as possible that new-build housing will not negatively affect the management of, and demand for, existing stock.

The quality of new affordable housing is important to ensure long-term value for money

72. The Scottish Government no longer carries out post-completion checks on one-third of the homes that it funds because of limited staff capacity and changed priorities. Instead, it is developing performance measures for new-build development, based on a value for money tool designed by Scotland's Housing Network.²³ This collects data from new-build projects relating to cost, time, quality aspects and resident satisfaction, and compares them. Progress on a pilot exercise has been slow, partly because of the time and costs for councils and RSLs to undertake the work. The Scottish Government is providing funding to Scotland's Housing Network to assist with resident satisfaction surveys. It is not clear how this tool will be used in the longer term. If the pilot exercise is successful, further use of this would allow the Scottish Government and social landlords to more clearly demonstrate the value for money from new-build homes.

73. Some social landlords are working with Architecture and Design Scotland to review their new-build homes, learn lessons and develop new approaches to ensure better design. Architecture and Design Scotland has identified some opportunities for improvements in the design of social housing. For example, this includes better integrating the design of water management, parking, and social and recreational uses into new developments.

74. The Scottish Government's 2019–20 Programme for Government outlined its intentions to set new building standards to reduce energy demand and the associated carbon emissions by 2021.²⁴ In addition, it requires that new homes use renewable or low-carbon heat from 2024. However, it is not clear how the existing subsidy arrangements can help to meet the Scottish Government's climate change commitments. At present, an additional £2,000 grant subsidy per home is available for new homes that meet the greener standard. Between 2016/17 and 2018/19, 66 per cent of new-build approvals for social rent and MMR met the greener standard.

There is evidence of positive wider benefits to the economy and to tenants and local communities

75. The Scottish Government expects that the economic output associated with the 50,000 target will be £1.4 billion per year and that it will support about 10,000 additional jobs. However, it is not possible to quantify the economic

impact of the investment due to the limitations in national reporting which does not include reporting on wider impact. Given the scale of the capital investment that is being made by the Scottish Government and its partners, a more complete understanding of the economic impact would help to demonstrate the links to economic outcomes in the NPF.

76. Councils and RSLs have provided some evidence of the economic benefits of affordable housing investment. For example, many housing contracts have requirements to provide apprenticeship places ([Exhibit 7](#)).

Exhibit 7

Examples of economic benefits from investment in affordable housing

Investment in new affordable housing can help support employment, apprenticeships and work placements.



58
work placements



13
apprenticeships



21
jobs

South Lanarkshire Council's new-build programme has resulted in 58 work placements, 13 new apprentices and created 21 jobs on construction projects since 2015/16.



317
work placements



256
jobs

Link Group Limited creates economy and skills plans as part of its contracts. Through its national programme it has 12 active plans and 22 planned for the future. These should deliver 265 new jobs and 317 work placements.



15
work placements



20
apprenticeships

Clyde Valley Housing Association reported the longer-term commitment of the target has enabled them and their developers to offer a number of community benefits. In 2018/19, this included 20 apprenticeships and 15 work experience placements.

Source: South Lanarkshire Council, Link Group Limited and Clyde Valley Housing Association

77. Councils and RSLs also spoke of the benefits of affordable housing to their tenants and wider communities:

- Some councils carry out a survey of residents in new-build homes. Eighty-two per cent of surveyed residents of The City of Edinburgh Council's new-build homes were very or fairly satisfied with their homes and surroundings.
- RSLs spoke about how they were able to improve outcomes for specific families by providing new accommodation that met their specialist needs by considering them in the design of the new buildings.
- South Lanarkshire Council reported that one of its regeneration programmes has increased demand for housing in that area and reduced antisocial behaviour. The regeneration resulted in 100 per cent overall tenant satisfaction at the point the regeneration programme completed.

- Developers can also contribute to wider community benefits beyond jobs and training, such as sponsoring and supporting community groups or facilitating community activities. This can help to maximise the wider social impact to the community.

78. Councils and RSLs take different approaches to capturing feedback on new homes from tenants. It is not possible to summarise tenant feedback at a national level, however we found evidence of a mixed picture across Scotland during our fieldwork. Some of the feedback social landlords have received from tenants included the following quotations.

What do tenants say?



“My neighbour’s mental health has improved since moving from the high rises to new amenity housing. Mainly because of the social aspects.”

“The house is located on the main road which can be dangerous at times.”

“I have more space in my new home, this helps look after my disabled husband.”

“I think the secured entrance is a positive thing, saves having people I don’t want at my door.”

“My fuel bills reduced by almost three quarters when I moved into my new home.”

Source: Dundee Health and Social Care Partnership and South Lanarkshire Council tenants

79. The Scottish Government is in the early stages of work with the SFHA and ALACHO to develop a tool to monitor the economic and social value of the investment in affordable housing. This is important for identifying the full benefits of investment, to enable the Scottish Government and social landlords to demonstrate value for money. The Scottish Government expects that a prototype system for measuring and analysing economic and social value will be available later in 2020.

Increasing capital investment by councils and RSLs to fund new housing and improve their existing stock could increase rents and reduce affordability for current tenants

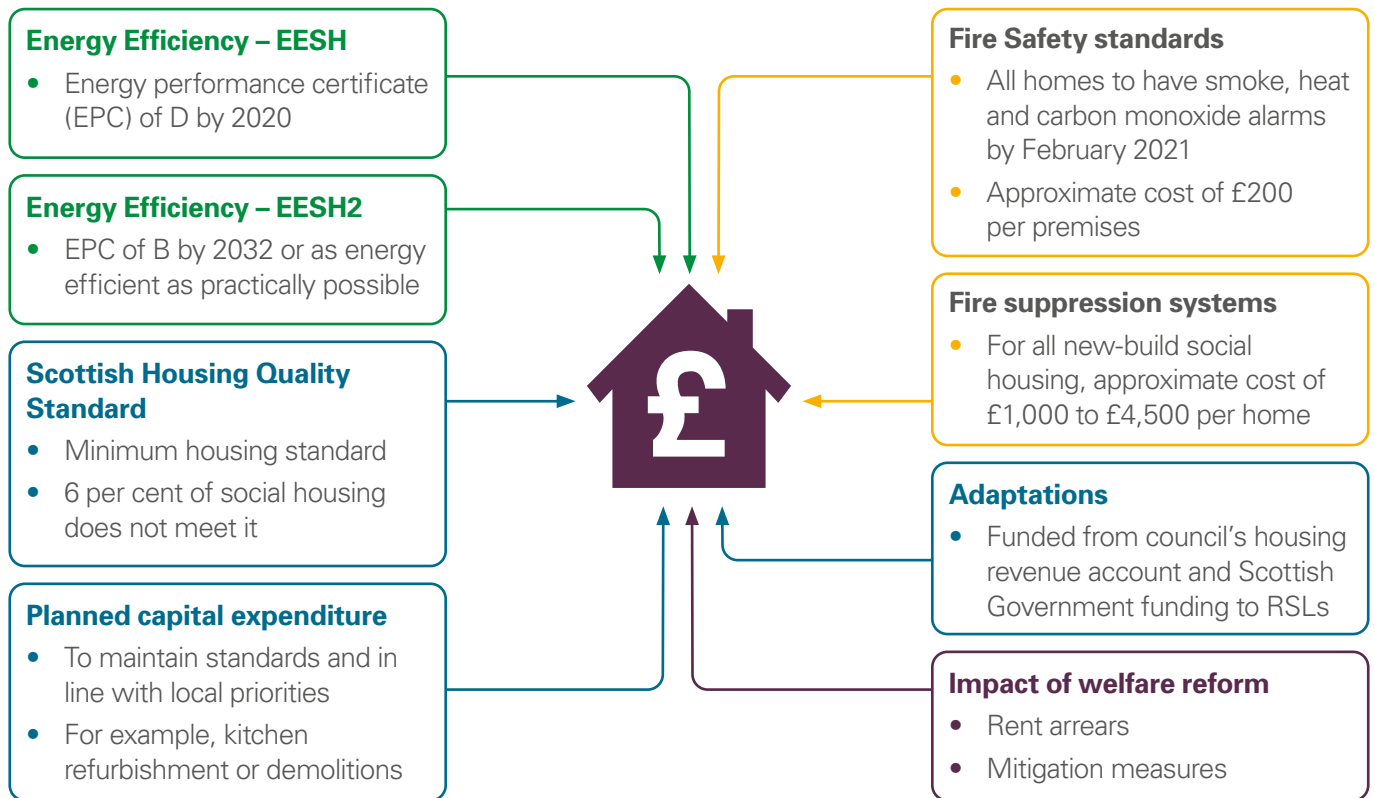
80. Alongside capital investment in new homes, councils and RSLs must also invest in their existing stock. In 2018/19, councils’ provisional total capital investment on housing was £738 million. Of this, 53 per cent was spent on improvements to existing council houses and 39 per cent was spent on new council houses.²⁵

81. Some of these capital investment decisions are driven by the Scottish Government, for example the requirements on energy efficiency and fire safety measures ([Exhibit 8, page 32](#)). Other investment decisions will be the result of local priorities. For example, North Lanarkshire Council has a large demolition programme and The City of Edinburgh Council has an ambition to be carbon neutral by 2030.

Exhibit 8

There are competing priorities on council and RSL budgets

Councils and RSLs must balance several priorities alongside their investment in new homes. This could result in higher rents for tenants.



Source: Audit Scotland

82. Councils and RSLs fund most of their capital investment either through tenants' rent or borrowing, which is then repaid with tenants' rent. Councils and RSLs have been increasing their capital investment to meet their different priorities. For example, total council housing debt was £3.8 billion in March 2019 (an increase of 8 per cent in real terms since March 2015) and cost £276 million in loan charges (in 2018/19).²⁶

83. For councils and RSLs to deliver their new-build programmes and meet other priorities, they will need to either increase tenants' rents or make efficiency savings elsewhere.

- The City of Edinburgh Council's Housing Revenue Account has a projected shortfall in future years. In order to meet its ambitious housing targets without increasing rents above inflation it is redesigning its housing service, including how it carries out repairs.
- The SHR reports that in 2018/19, 80 per cent of social landlords increased their rent above inflation. Social landlords' average rent increase in 2018/19 was 3.7 per cent, up on the previous year's level of 2.4 per cent, and the highest level since current monitoring began in 2013.

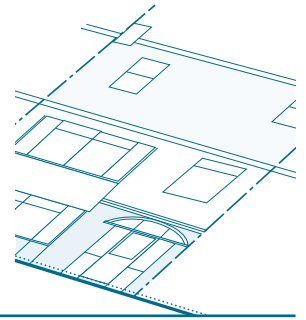
84. Social rent levels vary across the country. In 2018/19, the average social rent was £79 per week, and rents ranged from around £60 per week to £104 per week.²⁷ Councils and RSLs have a statutory duty to consult with their tenants and take account of their views when making decisions about proposed rent increases. As part of the Scottish Housing Regulator's new regulatory framework, RSLs will also have to confirm in annual assurance statements that they manage their resources to ensure their financial wellbeing while maintaining rents at levels that tenants can afford to pay. As some of the cost pressures are beyond the control of landlords, it makes it even more important for landlords to vigorously pursue cost efficiency and value for money.

85. Increasing social housing rents may impact on how affordable rents are for tenants. This in turn may impact on levels of poverty. Research has identified that higher levels of social housing, and lower social rents, in Scotland contribute to lower poverty rates (measured after housing costs) in Scotland compared to the rest of the UK.²⁸

86. As part of the Child Poverty (Scotland) Act 2017, councils and NHS boards must jointly report annually (in a local child poverty action report) on the activity they are taking, and will take, to reduce child poverty. As affordable housing has a key role to play in tackling poverty, councils will need to consider how their strategic housing priorities fit with the child poverty agenda. Further clarity from the Scottish Government on its expectations about what it means by affordable housing may help councils to do this. The Scottish Government will also need to assure itself that its funding arrangements for new affordable homes are aligned in the best way to allow social landlords to set rents to remain affordable for tenants.

Part 3

Challenges, barriers and the future



Key messages

- 1** Significant barriers to the ongoing delivery of affordable housing remain. These include access to suitable land to develop with the necessary infrastructure, and higher development costs in rural and remote areas. The Scottish Government, councils and their partners are working to address these barriers, but challenges remain.
- 2** The Scottish Government is in the process of developing its Housing to 2040 vision. In developing this vision, there are opportunities to learn lessons from the existing programme, particularly in terms of clearly setting out the intended outcomes from the investment and the contribution that the programme can make to other policy commitments, such as poverty and climate change.
- 3** The Scottish Government has provided only limited information about the funding arrangements immediately post-2021. This uncertainty is affecting councils' and their partners ability to plan future developments.

There are barriers to providing new affordable housing

87. There are many barriers to the delivery of the current target and affordable housing in the future ([Exhibit 9, page 35](#)). The Scottish Government, councils and their partners are aware of, and acting to address, these barriers. Such joint action will need to continue if challenges are to be understood and addressed. Two of the most significant barriers are the availability of suitable land for development and skills shortages in the construction industry and councils.

In some areas, the availability or cost of land to purchase or develop is affecting affordable housing delivery

88. During our fieldwork, some social landlords reported that the land that could be developed easily has already been used for new affordable homes. Many future development sites will need more work to make them ready for development, such as brownfield sites with contaminated soil. Such sites may also require significant up-front infrastructure investment to make them viable, such as an upgrade to local water and sewerage infrastructure to cope with increased demand. Other sites may have more complicated ownership structures. This will increase the cost and/or timescales needed to deliver





affordable homes on these sites and in some cases may mean that the business case is not viable. For example:

- The City of Edinburgh Council has land allocated to housing on its local development plan for the next 20 years. However, the majority of this is privately owned and means that the timescales for development of housing are controlled by the private sector landowners and developers.
- Aberdeenshire Council cannot develop the Blackdog corridor north of Aberdeen until Scottish Water has the capacity and funding to provide the necessary infrastructure.

Exhibit 9

Enabling the ongoing provision of affordable housing


The Scottish Government, councils and their partners will need to continue to work together to overcome the barriers to providing affordable housing.

Examples of some barriers	Examples of some responses
 Funding uncertainty <ul style="list-style-type: none"> • post-2021 	<ul style="list-style-type: none"> • Planning for reduced investment • Different funding streams
 Access to suitable land <ul style="list-style-type: none"> • Land availability • Enabling infrastructure • Planning issues • Poor site conditions 	<ul style="list-style-type: none"> • Housing Infrastructure Fund • Infrastructure Commission for Scotland • Infrastructure first approach • Planning (Scotland) Act 2019 <ul style="list-style-type: none"> – Development ready sites in development plans – Possible infrastructure levy • Council's development plans • Council developer contribution, 's75' policies • Public sector land trawl
 Sustainability of developments <ul style="list-style-type: none"> • Demand/needs in local communities • Reduced carbon emissions 	<ul style="list-style-type: none"> • Rural and Islands Housing Funds • Community involvement • Energy efficiency standards for housing • Proposed new building standards
 Costs and capacity <ul style="list-style-type: none"> • Increased costs • Lack of skilled labour • Reduced council capacity 	<ul style="list-style-type: none"> • Framework contracts • Modern methods of construction • Scottish Government short life housing and construction skills working group

Source: Audit Scotland

89. The Scottish Government launched a five-year Housing Infrastructure Fund in 2016. It is designed for priority sites that are unable to proceed because of the high costs or nature of the infrastructure requirements. It does not deliver homes directly, but unlocks sites for housing development. By July 2019, the Scottish Government had approved £17.8 million in grants to RSLs and councils and £13.9 million in loans to non-public-sector bodies. It has estimated that this will allow 10,000 homes (3,000 of which will be affordable) to be built where they otherwise would not have been. By July 2019, 79 homes had been built and 20 were affordable.

90. Argyll and Bute Council reported that the award of £2.1 million of infrastructure funding allowed upgrades to roads that were essential to enable a large development at its Dunbeg site to proceed. Some councils and RSLs, however, have reported that the criteria for accessing the fund have been too strict, although the Scottish Government has to ensure its funding achieves value for money and that bids are state aid compliant. In its latest guidance, the Scottish Government has relaxed the eligibility criteria for the infrastructure fund to allow more developers to make use of it before March 2021. The fund is currently being reviewed by the Scottish Government.

91. Councils can require private house builders to make contributions towards affordable housing supply in their areas. These contributions are normally secured through the use of conditions attached to an award of planning permission or a planning obligation, which are sometimes referred to as **Section 75**  agreements. These approaches can be used to ensure that up to 25 per cent of the total number of new houses in a development are affordable.

92. The use of the planning system to secure the provision of affordable housing varies across the country. This largely depends on the local housing market and the scale of private house building in the area. For example, over half of Aberdeenshire's affordable housing is delivered using Section 75 agreements. There are locations in Argyll and Bute and Aberdeenshire, however, where Section 75 agreements are not used, as there is little or no private housing development taking place. For the City of Edinburgh Council, agreements with developers are vital. The council's SHIP 2019/20–2024/25 identified that around 70 per cent of RSLs' planned developments are on land held by private developers.

93. Using Section 75 agreements to deliver affordable housing carries risks. For example:

- the timing of the development is determined by the developer
- negotiations with developers around their contributions can delay projects
- the location of sites is determined by the developer and this might not always align with the council's prioritised areas for new affordable housing.

94. Councils can work to mitigate these risks. For example, Aberdeenshire Council's delivery team includes council officers and RSL partners who decide which RSL will work with a developer on a particular site. The council has developed a policy and process that includes pre-planning engagement with private developers. It reports that this results in less negotiation with developers and reduces delays.



Section 75

Councils can require private developers to provide affordable housing through the planning system, by attaching a condition to planning permission or through a planning obligation. These approaches are considered on a case by case basis, taking account of the policies set out in the development plan.

Where appropriate, a development plan will specify any expected developer contributions towards the delivery of affordable housing.

Where a contribution is required, this should generally be for a specified proportion of the serviced land within a development site to be made available for affordable housing.

The Scottish Planning Policy advises that developer contribution should be set at a level which is deliverable in the current economic climate, as part of a viable housing development. The level of affordable housing required as a contribution within a market site should generally be no more than 25 per cent of the total number of houses.

95. In the longer term, the Scottish Government is developing approaches to address land availability and infrastructure problems. For example, its planning review proposed a range of approaches to help increase land supply. This included a greater focus on councils working regionally, allocating more sites that are ready to be developed to development plans and using an 'Infrastructure First' approach to planning. The Planning (Scotland) Act 2019 provides a framework for change, including powers to introduce an infrastructure levy, but it will be some time before any changes are implemented. These approaches may mean increased pressure on councils' planning and building control services, which are already stretched ([paragraphs 100–101](#)). The Infrastructure Commission for Scotland identifies that enabling and supporting infrastructure is essential to support successful housing development. It recommends that, to support the implementation of the new National Planning Framework, the Scottish Government should introduce a coordinated and appropriately resourced Infrastructure First approach to the planning system by 2021.³⁰

A lack of capacity in the construction industry may result in additional costs or delays

96. Councils and RSLs are reporting capacity issues within the construction sector in some areas. This could potentially be exacerbated by EU withdrawal. The skills shortages in the construction industry can affect the costs of building or the speed of development:

- Aberdeenshire Council highlights that construction workers often go offshore, where the pay is higher.
- In Argyll and Bute there is a limited number of local contractors, who can struggle to find staff to employ.

97. Rising construction costs were reported on several occasions during our fieldwork. The evidence that is available to support this, however, varies. The Scottish Government uses its Scottish social housing tender price index to measure how much social landlords pay contractors for the construction of social housing. Social housing construction costs rose by 4.3 per cent between September 2018 and September 2019.³¹ The Scottish Government reports that the recent rise is within its planning assumptions. As the index is subject to a time lag and the latest index is only based on a small sample size, it might not reflect the full costs that social landlords are currently incurring.

98. The Scottish Government established a housing and construction skills short life working group (SLWG) in April 2018, to address concerns about skill shortages. Its report, in May 2019,³² made recommendations centred on apprentices, graduate apprentices, modern methods of construction and upskilling, which should have an impact in the short term. It recognised that, in the medium term, other Scottish Government policies (such as early years expansion and climate change mitigation) will result in an increase in demand and exacerbate the skills shortage. The Scottish Government has still to respond to the working group's recommendations. Addressing the skills shortage will require a coordinated approach from several Scottish Government departments.

99. Some councils and RSLs are using modern methods of construction, including off-site construction, to build new housing. Off-site construction could help address the skills shortage and increase the speed of building new homes. There is less evidence of cost savings, but a pipeline of work could make the

investment in off-site factories cost effective. The Scottish Government will use research, which it commissioned alongside the Construction Scotland Innovation Centre and Scottish Enterprise, to inform future policy decisions on the use of off-site construction.

A lack of council capacity may affect the delivery of new homes

100. As we reported in our 2019 report *Local government in Scotland: challenges and performance*, there are also capacity issues in councils as a result of prolonged funding reductions and an ageing workforce. This is especially the case in services such as planning and development services. The SLWG's report cited evidence from recent Local Authority Building Services Scotland surveys of councils which found that 81 per cent of councils stated that building standards teams had reduced in full time equivalent numbers. The surveys also found that potentially 25 per cent of the existing workforce could retire within the next five years.³³

101. This decreasing workforce means a loss of both skills and experience in key roles, which could increase delays in councils providing planning permission and issuing building completion certificates. Recognising these risks, the SLWG recommended investing in graduate apprentices for building standards and planning officers.

The Scottish Government is supporting further affordable housing development in rural areas

102. Affordable housing is important to the local economies of remote and rural areas, as the development of even a small number of homes can help sustain local schools and businesses ([Case study 4, page 39](#)). However, there are challenges in providing affordable housing in these areas. Councils report that it can be difficult to establish housing needs in rural areas using datasets within the HNDA modelling tool ([Exhibit 3, page 14](#)), due to the small, dispersed nature of the population. Additional sources of information on housing needs can be used to help overcome this. For example, Argyll and Bute Council carries out community surveys to help assess housing needs.

103. Social landlords also report higher development costs and difficulties in attracting developers to build in remote and rural areas. RSLs are entitled to a higher grant subsidy to provide affordable housing in rural areas to help offset the higher costs of building. Within the grant funding arrangements there is also flexibility to support more expensive council or RSL developments to proceed.

104. In the first three years of the programme, 1,619 homes were completed in accessible rural areas (eight per cent of all delivery) and 922 (five per cent) in remote rural areas through the local programme. In addition to the local programme grant funding, the Scottish Government introduced a five-year £25 million Rural Housing Fund and a £5 million Islands Housing Fund in 2016. These aim to increase the long-term supply of affordable housing of all tenures in rural Scotland and the criteria for the funds were agreed with rural stakeholders. Each fund offers capital support for the delivery of affordable housing and the refurbishment of empty properties, as well as a smaller element that contributes to feasibility studies. The funds are open to community organisations, development trusts, private landowners, private developers and traditional



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housing providers. Councils and RSLs can apply for grant funding but must demonstrate that their project will deliver housing additional to that delivered through the local programmes.

105. The uptake of the funds in the first three years was relatively low. At December 2019, 56 homes had been completed through the funds, with a further 60 approvals and 35 projects on-site. Some stakeholders commented that community groups may lack the time and skills to apply to the funds. Some stakeholders also report that the rural housing fund is contributing to the fragmentation of funding that supports housing delivery in rural areas. Orkney Islands Council has welcomed the funds and is working with Highlands and Islands Enterprise to support development trusts to make use of the Islands Housing Fund. It reports that the fund can help meet housing need in some areas where mainstream affordable housing development may not be appropriate or delivered at affordable levels by the council or Orkney Housing Association. Councils need to make sure that they can offer support to community groups and others to make use of such funding streams. The Scottish Government should review the effectiveness, and report publicly on the impact, of these smaller funding streams.

Case study 4

Argyll and Bute Council – delivering affordable housing in rural areas



- The Argyll and Bute Community Planning Partnership's overall objective is that 'Argyll and Bute's economic success is built on a growing population', as it sets out in the Argyll and Bute Outcome Improvement Plan 2013-23. In support of this, the council's LHS aims 'to deliver a housing system that makes a strong contribution to thriving and sustainable communities and economic growth'.
- In addition to challenges identifying housing needs ([paragraph 102](#)), a challenge for councils in rural areas is to be able to provide affordable homes for workers to live in to help sustain growing businesses. This is a particular priority for the growing food and drink, marine and tourism sectors.
- The island of Islay has recently experienced an increase in demand for housing because of economic growth on the island. RSLs in the area have invested in new housing on the island, using a combination of their own finance, Scottish Government funding and contributions from the council. Between 2017/18 and 2018/19, 38 affordable homes were completed on the island. Another eight affordable homes are due for completion by March 2020.
- In 2018/19, the council agreed to incorporate more explicit actions into its LHS action plan to ensure housing's contribution to economic and population growth. The council held a stakeholder event for housing partners and the local business sector with a focus on housing needs of local employers and their staff. It has also commissioned independent strategic overviews of Islay and Mull from Community Housing Scotland and Rural Housing Scotland respectively. The council intends to use the outcome of this work to inform its next LHS.

Source: Argyll and Bute Council


The Scottish Government is developing its 2040 housing vision and funding post-2020/21 is uncertain

106. The Scottish Government is developing a vision for Scotland's homes and communities to 2040 alongside the options and choices required to achieve it. The Scottish Government began consultation in 2018 and published a high-level vision in the summer of 2019.^{34, 35} It expects to publish the vision and route map in summer 2020.

The new vision needs to be clear about what outcomes it aims to achieve and how it will contribute to other policy commitments

107. In developing its vision and route map there are opportunities for the Scottish Government to learn lessons from the existing programme and apply that learning to its future housing investment programmes. For example, by being clearer about the outcomes it intends to achieve from future investment, and how these will contribute to the NPF and key policy objectives, including climate change, child poverty, inclusive growth, and improved health and wellbeing, the Scottish Government will be better able to demonstrate value for money. Establishing clear milestones and monitoring frameworks will also help to improve reporting and reduce the risk of outcomes not being achieved. Our *Planning for outcomes* briefing paper sets out some ways the Scottish Government could plan and monitor against outcomes.



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June 2019 

The Scottish Government and COSLA will need to ensure that future funding arrangements are fit for purpose

108. In its consultation documents, the Scottish Government indicates that the current level of spend on affordable housing will be difficult to sustain.³⁶ During our fieldwork, councils and RSLs reported concerns about any future cuts to grants.

109. Grant funding for local programmes for 30 councils is distributed using the Strategic Housing Investment Framework (SHIF). This was agreed by COSLA and the Scottish Government in 2012 and implemented on a phased basis, with full effect from 2017/18. The framework uses indicators (including market pressure, deprivation, population dispersion and homelessness) to determine how funding should be distributed. These indicators are subject to weightings, with the deprivation indicator having the greatest influence on funding distributions. The funding arrangements for Glasgow City Council and The City of Edinburgh Council are separately distributed through the local government settlement as part of the Transfer of Management of Development Funding arrangements. As such, around 24 per cent of the funding for local programmes, is not based on the same indicators that are used to reflect housing need within the SHIF.

110. One of the main drivers of future housing needs is the projected changes in household numbers. The National Records of Scotland projections show that in the period 2016 to 2041, there is predicted to be a 13 per cent growth in households across Scotland.³⁷ There is, however, substantial variation across Scotland, with four councils showing a predicted decline in the number of households and five councils predicted to have more than a 20 per cent increase in the number of households. There is no specific indicator that reflects the projected household changes within the SHIF, so the current funding allocations also do not fully take account of these.³⁸

111. The Scottish Government needs to be clearer about the purpose of its investment and make sure that the funding arrangements best support that purpose. For example, if the Scottish Government decides to prioritise increasing affordable housing supply in areas with the greatest affordability pressures, it could consider whether it would be appropriate to give the market pressure share indicator a greater weighting. This would give it a greater influence in the distribution mechanism. Similarly, it could more clearly set out how its investment in affordable housing seeks to respond to the nature of household changes in Scotland and consider how funding arrangements reflect those decisions.

112. The Scottish Government has recognised that there are opportunities to increase the value from its grant funding. It has funded Scotland Excel (the Centre of Procurement Expertise for councils) to deliver a programme of procurement support for RSLs (councils already need to have their procurement capability assessed by Scotland Excel). The Scottish Government reports this programme has resulted in benefits including financial savings and sharing best practice around procurement strategies. The Scottish Government has considered how this service can be mainstreamed, and is consulting with the sector on proposals for future RSL participation in a programme of procurement support.

113. The Scottish Government's current alternative funding approaches have focused on the supply of MMR homes financed through below market rate loan funding. These funding arrangements are not straightforward. For example, loan agreements need to be carefully drafted and managed over a long time period, to avoid risks to repayments and to ensure that arrangements are state aid compliant. The Scottish Government has also invested in charitable bonds that provide grants for RSLs. The interest on the loans enables the Scottish Government to provide grants for social housing. This is a useful additional source of funding, but it is not clear how much this approach could compensate for any reduction in grant funding.

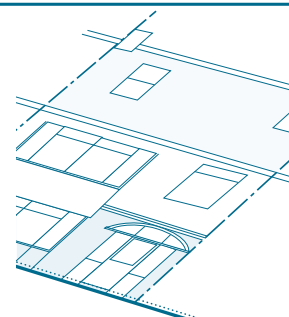
Uncertainty is affecting councils' and RSLs' abilities to plan and this may affect future affordable housing supply



114. It is not clear how much Scottish Government funding for affordable housing will be available after March 2021. The Scottish Government had advised councils to plan for future years on their RPAs for 2020/21. So far, the Scottish Government has announced that £300 million will be available in 2021/22, less than half of current RPAs. As funding will be difficult to sustain ([paragraph 108](#)), some councils and RSLs are reluctant to plan at current levels beyond 2021.

115. This uncertainty creates the risk that there is a slowdown in planning, resulting in consequent delays in, and limited future development of, affordable housing. This could potentially mean that some housing needs cannot be met. A longer-term approach to housing would avoid some of the issues associated with the boom and bust of short-term targets linked to parliamentary terms. It would allow:

- councils and RSLs to plan for long-term housing needs
- efficiencies to be made through framework contracts or partnership arrangements
- the construction industry to invest in alternative construction methods such as off-site construction and skills.

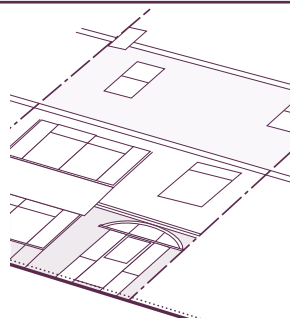
Endnotes



- 1 *Rent affordability in the affordable housing rented sector: literature review*, Scottish Government, 2019.
- 2 *More Homes Division Guidance Note MHDGN 2019/03, Affordable Housing Supply Programme: Process and procedures*, Scottish Government, 2019.
- 3 *HNDA practitioners guide 2018*, Scottish Government, 2018.
- 4 For example, the guidance includes some affordability assumptions and suggests the following parameters. (1) if households are spending less than 25 per cent of their income on rent, they can afford private rent. (2) if households are spending between 25–35 per cent of their income on rent, they may benefit from some form of subsidised rent. (3) if households are spending more than 35 per cent of their income on rent (that is rents at the 30th percentile of market rents), (including housing benefit/the housing element of Universal Credit), they may benefit from social rent. It also assumed that a house is affordable to purchase if its price does not exceed 3.6 times a household's income.
- 5 *Affordable housing need in Scotland*, Shelter Scotland, CIH Scotland and SFHA, 2015.
- 6 *Phase 1: key findings report: a blueprint for Scotland: part c: cross cutting recommendations*, Infrastructure Commission for Scotland, 2020.
- 7 This is based on the number of approvals since 2015/16, as reported in the Scottish Government quarterly Affordable Housing Supply Programme statistics.
- 8 At the start of each financial year, the Scottish Government confirms annual RPA figures.
- 9 Note that Glasgow City Council and the City of Edinburgh Council are responsible for approving above benchmark subsidies in their areas under the Transfer of Management of Development Funding (TMDF arrangements).
- 10 This funding is known as financial transaction funding. This funding results from UK Treasury investment decisions and is used to support equity/loan schemes beyond the public sector. The funding will be repaid to Her Majesty's Treasury over a period of about 30 years.
- 11 *The evaluation of low cost initiative for first time buyers (LIFT)*, Scottish Government, 2011.
- 12 [*Health and social care integration: Update on progress*](#) , Audit Scotland, 2018.
- 13 *Foundations for well-being: reconnecting public health and housing. a practical guide to improving health and reducing inequalities*, Scottish Public Health Network, 2017.
- 14 *Local housing strategy: guidance*, Scottish Government, 2019.
- 15 [*Principles for community empowerment*](#) , Audit Scotland, 2019.
- 16 In addition, in 2018, Scottish Government and COSLA agreed to adopt the place principle. This aims to create a more joined up approach between councils, communities and other partners regarding a place's services and assets, including housing. It is intended to improve outcomes for communities and create more successful and sustainable places that support the wellbeing of communities.
- 17 This figure is based on lettable self-contained units.
- 18 This figure is estimated using data on the number of social rent completions over the first three years of the programme and estimating how many more need to be completed to meet the 35,000 social rent target. We added this figure to the net increase in stock over the first three years of the programme identified in paragraph 55. We then used an average of Scottish Government data on council demolitions over the three years 2016/17 to 2018/19 to estimate demolitions over the remaining two years of the programme. Statistics for demolitions were sourced from *Housing statistics: conversions and demolitions*, Scottish Government, September 2019.
- 19 *Review of strategic housing investment plans for affordable housing*, Shelter Scotland, SFHA and Equality and Human Rights Commission Scotland, 2018.
- 20 Ibid.
- 21 *Local housing strategy: guidance*, Scottish Government, 2019.
- 22 *Glasgow and the Clyde Valley housing need and demand assessment*, Glasgow and the Clyde Valley Housing Market Partnership, 2015.
- 23 Scotland's Housing Network is a membership organisation of council landlords and RSLs working together to improve performance and deliver quality services through benchmarking, self-assessment and sharing good practice.

- 24 *Protecting Scotland's future: the government's programme for Scotland 2019–20*, Scottish Government, 2019.
- 25 Housing Revenue Account (HRA) statistics: Scottish local authority housing income and expenditure 2018–2019 (actuals) and 2019–2020 (estimates), Scottish Government, October 2019.
- 26 Ibid.
- 27 *Charter indicators and data by outcomes and standards*, Scottish Housing Regulator 2019. Note that the maximum average weekly rent excludes landlords that provide housing to supported clients to provide a more representative value for general or mixed provision housing.
- 28 *Poverty in Scotland*, Joseph Rowntree Foundation, 2019.
- 29 As part of the Act, new bodies were created – Integration Joint Boards (IJBs).
The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Of the 31 IAs in Scotland, 30 are IJBs and one area, Highland, operates a Lead Agency model. In Highland, the NHS board and council each lead integrated services. Clackmannanshire and Stirling councils have created a single IA with NHS Forth Valley.
- 30 *Phase 1: key findings report: a blueprint for Scotland*, Infrastructure Commission for Scotland, 2020.
- 31 *Scottish social housing tender price index: quarterly briefing, September 2019*, Scottish Government, 2019.
- 32 *New housing and future construction skills*, Scottish Government short life working group, May 2019.
- 33 Ibid.
- 34 *Housing beyond 2021 discussion paper*, Scottish Government, November 2018.
- 35 *Housing to 2040: a vision for our future homes and communities*, Scottish Government, 2019.
- 36 Ibid.
- 37 *Household projections for Scotland (2016-based)*, National Records of Scotland, 2018.
- 38 The indicators have an underlying weighting by household base data, which has resulted in a small change in distribution.

Appendix 1

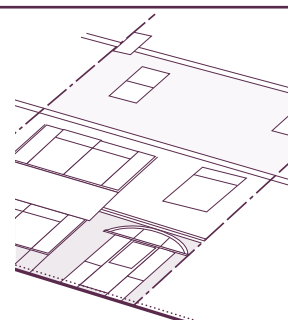


Audit Scotland would like to thank members of the advisory group for their input and advice throughout the audit.

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Members sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

Appendix 2



Resource planning assumption and expenditure by council area, 2016/17 – 2018/19

Council	Total RPA 2016/17 to 2018/19, £m	Total RPA Expenditure 2016/17 to 2018/19, £m	Difference between RPA and expenditure, £m	% difference
Aberdeen (City of)	41.0	60.3	19.3	47%
Aberdeenshire	64.6	49.3	-15.3	-24%
Angus	19.5	22.0	2.6	13%
Argyll and Bute	39.5	35.5	-4.0	-10%
Clackmannanshire	13.2	15.9	2.8	21%
Dumfries and Galloway	46.6	34.1	-12.5	-27%
Dundee (City of)	38.7	40.9	2.2	6%
East Ayrshire	27.3	23.3	-4.0	-15%
East Dunbartonshire	17.7	19.8	2.0	12%
East Lothian	25.8	30.4	4.6	18%
East Renfrewshire	13.8	5.5	-8.2	-60%
Edinburgh (City of)	109.8	138.3	28.5	26%
Eilean Siar (Western Isles)	18.9	10.6	-8.3	-44%
Falkirk	25.7	19.4	-6.3	-24%
Fife	73.3	81.7	8.5	12%
Glasgow (City of)	238.1	252.4	14.4	6%
Glasgow Housing Association (GHA)	68.8	71.4	2.6	4%
Highland	97.8	101.7	3.9	4%
Inverclyde	24.9	28.2	3.2	13%
Midlothian	19.8	27.7	7.8	40%
Moray	22.2	20.5	-1.7	-8%

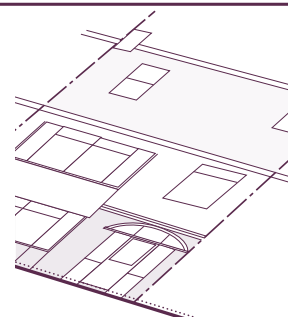
Council	Total RPA 2016/17 to 2018/19, £m	Total RPA Expenditure 2016/17 to 2018/19, £m	Difference between RPA and expenditure, £m	% difference
North Ayrshire	34.0	44.1	10.1	30%
North Lanarkshire	81.4	77.3	-4.0	-5%
Orkney Islands	10.2	6.1	-4.1	-40%
Perth and Kinross	39.3	43.5	4.2	11%
Renfrewshire	38.5	37.6	-0.9	-2%
Shetland	11.2	9.6	-1.6	-14%
South Ayrshire	27.0	21.3	-5.8	-21%
South Lanarkshire	61.2	71.5	10.3	17%
Stirling	20.6	15.5	-5.1	-25%
The Scottish Borders	33.3	32.7	-0.6	-2%
West Dunbartonshire	30.8	33.1	2.4	8%
West Lothian	33.8	35.0	1.3	4%
Local Programmes	1468.2	1516.3	48.2	3%

Note: The RPA for City of Glasgow Council for 17/18 and 18/19 includes resources for Govanhill. If the resources for Govanhill £5.72m (real terms prices with 18/19 as the base year) were included in the 16/17 RPA for consistency this would mean there would be a 4 per cent difference between the RPA and expenditure.

Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme out-turn reports 2016/17 – 2018/19



Appendix 3



Number of completions through the affordable housing supply programme by council area, 2016/17 – 2018/19

Council area	Total social rent	Total MMR	Total affordable home ownership	Total homes completed 2016/17 – 2018/19
Aberdeen City	359	333	412	1,104
Aberdeenshire	461	91	237	789
Angus	244	18	40	302
Argyll and Bute	318	2	8	328
City of Edinburgh	995	1,238	872	3,105
Clackmannanshire	189	30	33	252
Dumfries and Galloway	146	25	140	311
Dundee	302	6	101	409
East Ayrshire	168	0	2	170
East Dunbartonshire	142	0	57	199
East Lothian	493	94	208	795
East Renfrewshire	117	0	13	130
Eilean Siar	51	2	10	63
Falkirk	438	17	146	601
Fife	1,533	194	393	2,120
Glasgow	2,747	427	522	3,696
Glasgow Housing Association (GHA)	733	173	0	906
Highland	836	150	574	1,560
Inverclyde	160	0	2	162
Midlothian	368	59	302	729

Council area	Total social rent	Total MMR	Total affordable home ownership	Total homes completed 2016/17 – 2018/19
Moray	275	12	56	343
North Ayrshire	460	0	9	469
North Lanarkshire	816	28	147	991
Orkney	119	0	27	146
Perth and Kinross	478	24	659	1,161
Renfrewshire	287	0	91	378
Scottish Borders	387	31	80	498
Shetland	82	0	0	82
South Ayrshire	335	0	4	339
South Lanarkshire	986	36	54	1,076
Stirling	231	0	56	287
West Dunbartonshire	264	0	18	282
West Lothian	939	0	751	1,690
TOTAL	16,459	2,990	6,024	25,473

Composition of social rent completions by council area 2016/17 – 2018/19

Council	Social rent: council	Social rent: RSL	Social rent: home owner support fund	Total social rent
Aberdeen City	99	257	3	359
Aberdeenshire	167	294	0	461
Angus	70	172	2	244
Argyll and Bute	0	318	0	318
City of Edinburgh	246	747	2	995
Clackmannanshire	57	132	0	189
Dumfries and Galloway	0	142	4	146
Dundee	33	269	0	302
East Ayrshire	45	122	1	168
East Dunbartonshire	34	105	3	142

Council	Social rent: council	Social rent: RSL	Social rent: home owner support fund	Total social rent
East Lothian	250	240	3	493
East Renfrewshire	23	90	4	117
Eilean Siar	0	51	0	51
Falkirk	305	122	11	438
Fife	1,005	528	0	1,533
Glasgow	0	2,736	11	2,747
Glasgow Housing Association (GHA)	0	733	0	733
Highland	399	433	4	836
Inverclyde	0	160	0	160
Midlothian	187	176	5	368
Moray	144	131	0	275
North Ayrshire	212	247	1	460
North Lanarkshire	475	324	17	816
Orkney	27	92	0	119
Perth and Kinross	184	292	2	478
Renfrewshire	0	273	14	287
Scottish Borders	3	383	1	387
Shetland	2	80	0	82
South Ayrshire	99	232	4	335
South Lanarkshire	356	616	14	986
Stirling	103	118	10	231
West Dunbartonshire	47	211	6	264
West Lothian	783	142	14	939
TOTAL	5,355	10,968	136	16,459

Notes:

1. Completions data reported by individual councils may vary because of different recording practices
2. The Scottish Government provided the audit team with updated statistics on AHSP completions during the course of the audit. Therefore, some of the data we have used in our analysis does not match that which is reported in the out-turn reports.

Source: Audit Scotland using Scottish Government Affordable Housing Supply Programme out-turn reports



Affordable housing

The Scottish Government's affordable housing supply target

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ISBN 978 1 913287 20 7 AGS/2020/4

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit and Scrutiny Committee

Title: **Internal Audit Charter 2020-2022**

Purpose: To seek Committee approval of the updated Internal Audit Charter.

Recommendation: That the Committee approves the Internal Audit Charter attached at Appendix 1.

1. Executive Summary

- 1.1 Internal Audit operates in accordance with the requirements of the 'Public Sector Internal Audit Standards (PSIAS)'. The Standards are designed to ensure that common practices are followed across all public sector bodies.
- 1.2 One requirement of the PSIAS is the preparation of an 'Internal Audit Charter' which must be approved by the Audit and Scrutiny Committee.
- 1.3 The existing Internal Audit Charter was approved by the Committee in January 2018. It was previously agreed that the Charter would be reviewed on a biennial basis; this has been done and a revised Charter is attached at Appendix 1 for approval.

2. Background

- 2.1 The Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit; the section's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of audit engagements; and defines the scope of Internal Audit activities.
- 2.2 It was agreed by the former Audit Committee that the Charter should be reviewed on a biennial basis to ensure it remains current and brought to Committee for approval.
- 2.3 The Internal Audit Charter has been reviewed and found to remain largely fit-for-purpose.

2.4 Only minor changes have been required to the Charter to ensure it continues to reflect the organisational structure of the Council and the requirements of the PSIAS:

- Updates throughout the document to reflect the newly amended reporting line of the Senior Manager to the Head of Finance;
- Reference to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (section 3.2 of the Charter);
- Confirmation that the Senior Manager (the "Chief Audit Executive") must hold a relevant professional qualification and be suitably experienced.

3. Proposals

3.1 It is proposed that the Committee approves the Internal Audit Charter attached at 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 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

Community Wealth Building

4.7 None.

5. Consultation

5.1 No consultations have been required in the preparation of this report.

Mark Boyd
Head of Finance

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

Background Papers

None.

INTERNAL AUDIT CHARTER

2020-2022

Version:	Final
Date:	14/08/2020
Author:	Paul Doak
Classification:	Public



INTERNAL AUDIT CHARTER

1 Introduction

1.1 North Ayrshire Council has adopted the definition of Internal Audit as given in the Public Sector Internal Audit Standards (PSIAS):

‘Internal Auditing 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.’

1.2 PSIAS requires the Council to define its interpretation of the generic terms ‘Chief Audit Executive’, ‘Senior Management’ and ‘Board’.

1.3 For the purposes of this Internal Audit Charter, the role of the ‘Chief Audit Executive’ is fulfilled by the Senior Manager (Audit, Fraud, Safety and Insurance); the Chief Officers are defined as ‘Senior Management’ and the ‘Board’ is deemed to be the Audit and Scrutiny Committee.

2 Responsibilities of Internal Audit

2.1 The scope of Internal Audit activity includes, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation’s governance, risk management and internal control processes. This enables Internal Audit to provide the Audit and Scrutiny Committee with assurance on the adequacy of these arrangements.

2.2 Internal Audit does this by:

- Providing high quality, independent audit services to the Council and its Senior Management;
- Performing a systematic and continuous review of the Council’s internal control, risk management and governance arrangements in accordance with a risk-based annual plan approved by the Audit and Scrutiny Committee;
- Highlighting opportunities to reduce costs through greater economy, efficiency and effectiveness within existing internal controls throughout the Council’s systems and activities;
- Advising on cost effective controls for new systems and activities;
- Providing an assurance statement and annual report to the Audit and Scrutiny Committee on the adequacy of the Council’s internal control and governance arrangements.

2.3 Internal Audit is responsible for reporting risk exposures and control risks to the Audit and Scrutiny Committee and Senior Management.

2.4 Internal Audit will consult with the Council’s external auditor and with other relevant inspection and review bodies in order to co-ordinate effort and avoid duplication. Reliance will be placed on the work of these other agencies where appropriate and the findings of their reviews will be reported to the Audit and Scrutiny Committee.

3 Standards and Ethics

- 3.1** Internal Audit will carry out its work in accordance with:
- Relevant standards and guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA);
 - The Council's 'Local Code of Corporate Governance';
 - The section's own Internal Audit Manual.
- 3.2** In particular, Internal Audit will adhere to the Public Sector Internal Audit Standards (PSIAS) which were issued by CIPFA and the IIA and were most recently updated in April 2017. The PSIAS incorporates the mandatory elements of the IIA's International Professional Practices Framework – the definition of Internal Auditing (see 1.1 above), the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing.
- 3.3** Internal Auditors will comply with appropriate professional ethics at all times. These cover:
- Integrity;
 - Objectivity;
 - Confidentiality;
 - Competency.
- 3.4** The Chief Audit Executive will hold a relevant professional qualification and will be suitably experienced. Audit staff will adhere to the requirements of the Council's Employee Code of Conduct, the Seven Principles of Public Life and the ethical standards of any professional institute of which they may be a member. Staff will undertake Continuing Professional Development (CPD) as required and will also keep their skills and knowledge current through appropriate professional learning and the Council's employee development programme.

4 Position of Internal Audit within the Council

- 4.1** Internal Audit is an independent activity. It is not an extension of, or a substitute for, the functions of line management and must remain free from any undue influence or other pressure affecting its actions and reporting.
- 4.2** At all times, the responsibilities of Senior Management across the Council include:
- Maintaining proper internal controls in all processes for which they have responsibility to ensure probity in systems and operations;
 - Preventing and detecting fraud and irregularities within their service areas and reporting any suspicions to the Senior Manager (Audit, Fraud, Safety and Insurance);
 - Co-operating fully with Internal Audit to help ensure that Internal Audit can properly fulfil its role;
 - Considering and acting on Internal Audit findings and recommendations or accepting responsibility for any resultant risk from not doing so.
- 4.3** In terms of the PSIAS, the status of Internal Audit should enable it to function effectively, with recognition of the independence of the section fundamental to its effectiveness. The

Chief Audit Executive should have sufficient status to facilitate the effective discussion of audit strategies, plans, results and improvement plans with Senior Management.

- 4.4** Within North Ayrshire Council, the Senior Manager (Audit, Fraud, Safety and Insurance) will have unrestricted access to the Section 95 Officer, the Monitoring Officer (the Head of Democratic Services), the Chief Executive and the Chair of the Audit and Scrutiny Committee.
- 4.5** In addition, unrestricted access to all Chief Officers and employees of the Council is afforded to the Senior Manager and all members of Internal Audit staff in the course of carrying out audit work.
- 4.6** In terms of accountability and independence, the Senior Manager (Audit, Fraud, Safety and Insurance) reports **functionally** to the Audit and Scrutiny Committee; this means the Audit and Scrutiny Committee will:
- Approve the Internal Audit Charter;
 - Approve the strategic and annual audit plans;
 - Receive reports from the Senior Manager on the outcome of Internal Audit work and any other matters the Senior Manager deems necessary;
 - Make enquiries to ensure that Internal Audit is adequately resourced to meet its assurance and other key responsibilities.
 - Receive periodic confirmation from the Senior Manager that Internal Audit complies with the requirements of PSIAS.
- 4.7** The Senior Manager (Audit, Fraud, Safety and Insurance) reports **administratively** to the Section 95 Officer (the Head of Finance). The administrative reporting line will be managed in a manner that ensures:
- The Senior Manager is accorded open and direct communication with Senior Management across the Council;
 - The Internal Audit function has an adequate and timely flow of information concerning the activities, plans and initiatives of the Council.
- 4.8** It is recognised that the administrative reporting line does not have authority over the scope of reporting of results of Internal Audit activity. Ultimate authority in this regard rests with the Senior Manager, who retains the final right of edit over all Internal Audit reports.
- 4.9** The Senior Manager (Audit, Fraud, Safety and Insurance) also has managerial responsibility for the Council-wide functions of insurance and health and safety. In order to ensure that Internal Audit independence and objectivity is maintained, any audit work in these areas will be carried out by other Internal Audit staff with the Senior Manager as the client. The Senior Manager will have no involvement in the delivery or reporting of the audit review and the report will be published by the Team Manager (Internal Audit).

5 Rights of Access

- 5.1** In relation to audit work being carried out, the Senior Manager (Audit, Fraud, Safety and Insurance) and any member of the Internal Audit section has the authority to:
- Enter at all reasonable times and without notice any premises or land of the Council, provided that where such premises or land are leased to a third party the terms of the lease are observed;
 - Have access to, and remove, all records (both paper and electronic), documents and correspondence within the possession or control of any officer of the Council, relating to any financial or other transactions of the Council;
 - Be provided with a separate log-in to any computer system within the Council and have full access to any system, network, personal computer or other device in the ownership of the Council;
 - Require and receive explanations concerning any matter under examination from any employee, including Chief Officers, and request such explanations from any Elected Member;
 - Require any employee of the Council to produce cash, stores or any other Council assets under their control.
- 5.2** These rights of access are also embedded within the Council's Financial Regulations, which were last approved by the Council on 25th September 2019.

6 Fraud-related Work

- 6.1** As outlined at 4.2 above, responsibility for the prevention and detection of fraud lies primarily with Senior Management across the Council, not with Internal Audit. However, Internal Audit staff will be alert in all their work to risks and exposures that could allow fraud or corruption. The Corporate Fraud team will also undertake proactive work to identify potentially fraudulent activity.
- 6.2** The Council's 'Defalcation Procedures' require that any suspected fraud against the Council will be reported to the Senior Manager (Audit, Fraud, Safety and Insurance).
- 6.3** The Corporate Fraud team will investigate suspected instances of fraud against the Council and report their findings to Senior Management, along with any recommendations for action to rectify the situation. This may include the recommendation that Senior Management should consider investigating relevant members of staff under the Council's Disciplinary Policy.
- 6.4** Senior Management will be responsible for acting on the recommendations of Internal Audit, including carrying out any disciplinary reviews.
- 6.5** Any contact with the Police or the Procurator Fiscal in relation to employee fraud will be made only by the Chief Executive or by another officer acting with the prior approval of the Chief Executive.

7 Consultancy Work

- 7.1** When invited by Senior Management, Internal Audit may provide advice and consultancy services on:
- Cost effective controls for new systems and activities.
 - Opportunities to reduce costs through greater economy and efficiency within processes or systems.
- 7.2** Acceptance of any assignment will be dependent on available resources, the nature of the assignment and any potential impact on future independent assurances.
- 7.3** Internal Audit will not accept any consultancy assignment where the Senior Manager (Audit, Fraud, Safety and Insurance) considers that staff do not have the necessary specialist knowledge or skills.
- 7.4** The role of Internal Audit in a consultancy assignment is to provide advice and support to Senior Management, who retain the ultimate responsibility for the decisions taken within the area under review.
- 7.5** Internal Audit may in future carry out assurance work in service areas where advice or consultancy services were previously provided. The objectivity of individual audit staff will be managed in assigning any such assurance work.

8 Audit Reporting

- 8.1** After the completion of each assignment, Internal Audit will issue a draft report to the relevant Head of Service, containing the findings of the audit work, an action plan and an audit opinion on the area under review. Internal Audit will aim to issue this draft report within 21 days of completion of the audit fieldwork.
- 8.2** Senior Management is expected to respond to Internal Audit with a completed action plan within 21 days of the issue of the draft report. A clearance meeting will be held between the Internal Auditor and the Head of Service during the 21 day period to discuss the findings and facilitate the completion of the action plan.
- 8.3** Following the return of the completed action plan, Internal Audit will aim to finalise and publish the report within 14 days.
- 8.4** Each final Internal Audit report will be issued to the relevant Executive Director and Heads of Service. Copies will also be made available to the Chief Executive and the Section 95 Officer.
- 8.5** Once finalised, each Internal Audit report and action plan will be submitted to the Audit and Scrutiny Committee.
- 8.6** Internal Audit recognises that its responsibility does not cease at the point when a report is published. Regular follow-up work will be carried out to ensure that actions are in place and are effective.

- 8.7** Failure by Senior Management to implement actions within the previously agreed timescales will be reported to the Audit and Scrutiny Committee at the first meeting following the end of the quarter in which the action was due to be implemented.
- 8.8** The Audit and Scrutiny Committee may call for explanations from Senior Management around actions that have not been implemented and will have responsibility for agreeing any extensions to timescales.
- 8.9** The Senior Manager (Audit, Fraud, Safety and Insurance) will prepare an annual report to the Audit and Scrutiny Committee, confirming compliance with PSIAS, highlighting key findings from audit work during the preceding audit year, giving information on the performance of the section and providing an opinion on the internal control environment of the Council.
- 8.10** The work of Internal Audit, including the opinion on the control environment, will contribute to the Council's review of its corporate governance arrangements, the outcome of which will be published in the Annual Governance Statement.

9 Audit Resources and Prioritisation of Work

- 9.1** Work will be prioritised according to risk, through the judgement of the Senior Manager (Audit, Fraud, Safety and Insurance), aligned to the Council's risk registers wherever possible. The Senior Manager will consult with the Executive Leadership Team in making this assessment.
- 9.2** The Senior Manager will determine the actual deployment of available resources and will do so within the framework of risk prioritisation used to prepare the strategic and annual audit plans approved by the Audit and Scrutiny Committee.
- 9.3** The audit plan will have within it the provision of resources to address unplanned work. These resources will be directed towards responding to specific control issues highlighted by Senior Management during the audit year.
- 9.4** In the event that the risk assessment within the strategic audit plan identifies a need for more audit work than there are resources available, the Senior Manager will identify the shortfall and initially advise the Section 95 Officer followed by the Audit and Scrutiny Committee as required.
- 9.5** It will be for the Audit and Scrutiny Committee to decide whether to accept the risks associated with the non-delivery of sufficient audit work or to recommend to the Council that it identifies additional resources.

10 Quality Assurance

- 10.1** The Senior Manager (Audit, Fraud, Safety and Insurance) will develop and maintain a Quality Assurance and Improvement Programme that covers all aspects of the Internal Audit activity. This will include both internal and external assessments.
- 10.2** The internal assessments will include:
- Ongoing monitoring of the performance of Internal Audit through the use of a suite of performance indicators, staff supervision and team meetings;
 - Periodic self-assessment of the Internal Audit function against the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 10.3** External assessments will be conducted at least once every 5 years by a qualified, independent assessor from outside the organisation.
- 10.4** The external assessment may be a full external assessment or a self-assessment with independent validation. The format will be agreed in advance of each external assessment by the Section 95 Officer and the Audit and Scrutiny Committee.
- 10.5** The findings of each internal and external assessment will be reported to the Audit and Scrutiny Committee along with a plan for any improvement action that may be required.

11 Approval of the Audit Charter

- 11.1** This Internal Audit Charter covers the period 1st April 2020 to 31st March 2022 and was reported to and approved by the Audit and Scrutiny Committee of North Ayrshire Council on 29th September 2020.
- 11.2** The Charter will be subject to review by the Senior Manager (Audit, Fraud, Safety and Insurance) and the Audit and Scrutiny Committee. This will be done on a biennial basis or at any other time if required by a material change to the terms of the Charter.

NORTH AYRSHIRE COUNCIL

29 September 2020

Audit and Scrutiny Committee

Title:	Internal Audit and Corporate Fraud Action Plans: Quarter 1 update
Purpose:	To advise the Audit and Scrutiny Committee on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 30 June 2020.
Recommendation:	That the Committee (a) notes the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) challenges those Services that have not implemented actions within the previously agreed timescales.

1. Executive Summary

- 1.1 The CIPFA document 'Audit Committee Principles in Local Authorities in Scotland' highlights that Audit Committees should monitor and review the progress made in implementing audit recommendations.
- 1.2 Service managers are responsible for ensuring that agreed actions arising from Internal Audit and Corporate Fraud reviews are implemented. This provides assurance that identified control weaknesses have been addressed and are being managed effectively.
- 1.3 All actions are monitored on the Pentana system and service managers are responsible for updating Pentana as they progress each action. This enables Internal Audit to monitor progress on a 'real-time' basis and address any delays in implementation.
- 1.4 This report details the position at 30 June 2020.

2. Background

- 2.1 The last report to the Audit and Scrutiny Committee on 12 November 2019 highlighted that there were 29 actions outstanding at the end of September 2019: 7 that had not been started or were only partially implemented and 22 where the due date had not yet passed.
- 2.2 In addition to these 29 'carried forward' actions, there have been 67 new actions agreed, giving a total of 96 action points for review.

- 2.3 Services have completed 68 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 28 actions, 20 were either not started or only partially complete at 30 June and the remaining 8 were not due for completion until after that date.
- 2.5 Appendix 1 to this report provides the Committee with full details of the 16 Internal Audit actions that were not complete within the agreed timescales. Two actions are considerably overdue:
- The renewal of a data sharing agreement with Police Scotland in relation to procurement was originally due in March 2017; however, it is recognised that this is outwith the control of the Council.
 - Data protection awareness training for all school-based staff was originally due to be completed by June 2018; while considerable progress has been made, this action is not yet complete.
- 2.6 The remaining 4 actions which are overdue are from Corporate Fraud investigations and these are included as an 'exempt' report at the end of the agenda.
- 2.7 Although the number of overdue actions has increased considerably since the last report, it is recognised that the implementation of many has been delayed due to the impact of the pandemic on Council Services and steps are now being taken to implement the actions.

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.

Environmental and Sustainability

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 the Council Plan 2019-2024.

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 **Paul Doak, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294-324561**.

Background Papers

None.

Internal Audit Actions due by 30th June but not started or partially complete

Code	IA2016PA029g	Description	The Head of Democratic Services should consider renewing the Data Sharing Protocol for procurement with the Police		
Priority	2	Latest Note	Unfortunately, the position remains the same- Police are still reviewing this nationally in light of GDPR. The Head of Service will continue to pursue via the Multi-agency Prevent Groups meetings. Anticipated completion date 28/2/2021.		
Progress Bar	<div><div>65%</div></div>	Original Due Date	31-Mar-2017	Due Date	31-Oct-2019
Parent Code & Title	IA2016PA029 Serious Organised Crime			Managed By	Andrew Fraser
				Assigned To	Andrew Fraser

Code	IA2017PA020b	Description	Data protection information awareness for schools training should be agreed and implemented as soon as possible.		
Priority	1	Latest Note	There haven't been sessions completed at the remaining schools and it is not foreseen that anything will happen in the near future due to COVID19. Speculative completion date: June 2021		
Progress Bar	<div><div>94%</div></div>	Original Due Date	01-Jun-2018	Due Date	31-Oct-2019
Parent Code & Title	IA2017PA020 Email Controls In Education			Managed By	Andrew McClelland
				Assigned To	Rosslyn Lee

Code	IA2019IJB001b	Description	HSCP Management should develop regular performance reports for lead partnership responsibilities to be reported to the Performance and Audit Committee and shared across the 3 Ayrshire partnerships		
Priority	1	Latest Note	Specific Pan-Ayrshire reporting is available and provided at scheduled Mental Health Senior Management Meetings. The format of a dedicated lead partnership report has also been developed for consideration and will be progressed post-COVID where mobilisation planning has taken precedence, and, after core lead partnership data has been migrated onto centralised NHS systems. Estimated completion date March 2021, allowing for the remobilisation of services and possibly another Covid lock-down / restrictions situation.		
Progress Bar	<div><div>50%</div></div>	Original Due Date	31-Dec-2019	Due Date	31-Dec-2019
Parent Code & Title	IA2019IJB001 IJB Lead Partnership Arrangements			Managed By	Caroline Cameron
				Assigned To	Neil McLaughlin

Code	IA2019IJB001c	Description	HSCP Management should work with officers from East and South Ayrshire HSCPs to progress the risk sharing arrangements at the earliest opportunity		
Priority	1	Latest Note	The pan-Ayrshire work on this action has been paused over the last 4 months due to the Pandemic. Completion date – 6 months (i.e. end of January 2021).		
Progress Bar	<div><div>20%</div></div>	Original Due Date	30-Sep-2019	Due Date	31-Mar-2020
Parent Code & Title	IA2019IJB001 IJB Lead Partnership Arrangements			Managed By	Caroline Cameron
				Assigned To	Caroline Cameron

Code	IA2019IJB001d	Description	HSCP Management should work with officers from East and South Ayrshire HSCP's to progress the fair share methodology at the earliest opportunity, including developing detailed Directions with commissioning plans		
Priority	1	Latest Note	The pan-Ayrshire work on this action has been paused over the last 4 months due to the Pandemic. Completion date – 6 months (i.e. end of January 2021).		
Progress Bar	<div><div>0%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Mar-2020
Parent Code & Title	IA2019IJB001 IJB Lead Partnership Arrangements			Managed By	Stephen Brown
				Assigned To	Stephen Brown

Code	IA2019PA009k	Description	HSCP Finance and the Children and Families Disabilities Team should consult with Procurement to negotiate with Providers to agree the inclusion of care worker timesheets with the invoice to show the actual hours provided in the short term and to work towards a framework that ensures providers use CM2000 or a booking system that interfaces with CM2000.		
Priority	2	Latest Note	<p>A Children's Community Steering Group was set up in January to look over current Children's Community support providers with an aim of contacting providers to tender for future services and develop a framework for Children's Services. All information was passed to Procurement who would be leading on this tender process.</p> <p>It will be stressed to providers who are successful, once the tender process is complete, that adequate back up on invoices for actual hours delivered per service user will need to be submitted, on a 4-weekly basis, for payment. However, no further meetings have happened since the COVID lockdown. This action will not be completed until April 2022 as it needs to go through a full tender procedure.</p>		
Progress Bar	<div><div>55%</div></div>	Original Due Date	30-Apr-2020	Due Date	30-Apr-2020
Parent Code & Title	IA2019PA009 Community Based Support			Managed By	Caroline Cameron
				Assigned To	Eleanor Currie

Code	IA2019PA009I	Description	Written procedures should be agreed and implemented between the Children and Families Disabilities Team and HSCP Finance to ensure that all necessary paperwork from the Resource Allocation Form (RAF) is provided to HSCP Admin for the invoice checking process.		
Priority	1	Latest Note	<p>We have now identified accurate service packages commitments by using the old establishment/trailing through observations and checking paid invoices and Business Improvement Officer has built up an establishment with these correct details on it so this will be used for service agreements which are to be put on Carefirst.</p> <p>Service managers need to agree the service types & element codes which will be used on Carefirst and then we can start putting samples on the test system. Estimated completion date September.</p>		
Progress Bar	<div><div>55%</div></div>	Original Due Date	31-Aug-2019	Due Date	30-Nov-2019
Parent Code & Title	IA2019PA009 Community Based Support			Managed By	Caroline Cameron
				Assigned To	Eleanor Currie

Code	IA2019PA009o	Description	In the longer term, community packages should be recorded on CareFirst and electronically approved or at the very least, the approval paperwork should be scanned and attached on CareFirst.		
Priority	2	Latest Note	<p>We have now identified accurate service package commitments using the old establishment/trailing through observations and checking paid invoices and Business Improvement Officer has built up an establishment with these correct details on it so this will be used for Service agreements which are to be put on Carefirst. A process will be built in that any change made via observation to a service package must be notified and changes updated on Carefirst.</p> <p>Once service packages are on Carefirst, a further check which the Accountant and Business Improvement Officer will do each month is to carry out a monthly sense check via Business Objects reporting, which compares the Service Packages on the system to invoices paid. Service managers have still to agree the service types and element codes which will be used on Carefirst. Following this, samples will be put on the test system. Completion is likely to be September 2020</p>		
Progress Bar	<div><div>55%</div></div>	Original Due Date	30-Apr-2020	Due Date	30-Apr-2020
Parent Code & Title	IA2019PA009 Community Based Support			Managed By	Caroline Cameron
				Assigned To	Eleanor Currie

Code	IA2019PA012a	Description	Ensure cyclical stock counts include randomly selected vehicles.		
Priority	1	Latest Note	85% of the imprest vans have now been audited and restocked, schedule delayed by COVID-19. Expected completion date 27/11/20.		
Progress Bar	<div><div>85%</div></div>	Original Due Date	31-Mar-2020	Due Date	31-Mar-2020
Parent Code & Title	IA2019PA012 Building Services Stores Controls			Managed By	Yvonne Baulk
				Assigned To	John Andrew

Code	IA2019PA012b	Description	Consult with the software supplier URM on a complete process to replace information currently recorded on Excel spreadsheets and Access databases		
Priority	2	Latest Note	Consulting with the software supplier URM on a complete process to replace information currently recorded on excel spreadsheets and access databases. Project is currently 90% complete, schedule delayed by COVID-19 and process update. Expected completion date 27/11/20.		
Progress Bar	<div><div>90%</div></div>	Original Due Date	31-Jul-2019	Due Date	31-Mar-2020
Parent Code & Title	IA2019PA012 Building Services Stores Controls			Managed By	Yvonne Baulk
				Assigned To	John Andrew

Code	IA2019PA014a	Description	The policy review for 'Free School and ASN Transport' should be completed and then be formalised as guidance procedures.		
Priority	2	Latest Note	The ASN school has been delayed by COVID and the revised completion date for this is May 2021, we would therefore be looking at that date for the completion of the transport policy and complaints procedure.		
Progress Bar	<div><div>60%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Dec-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Andrew McClelland
				Assigned To	Donna Reid

Code	IA2019PA014b	Description	Social Work Resources should complete and publish the 'HSCP Eligibility for Transport Assistance' Policy.		
Priority	2	Latest Note	No further update available due to covid-19. Expected completion date is December 2020.		
Progress Bar	<div><div>75%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Dec-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Thelma Bowers
				Assigned To	Jan Thomson

Code	IA2019PA014c	Description	The Transportation Appeals Process should be formalised, with clear criteria established, and time limit for and grounds to appeal. The decision panel should include a neutral member		
Priority	2	Latest Note	The ASN school has been delayed by COVID and the revised completion date for this is May 2021, we would therefore be looking at that date for the completion of the transport policy and complaints procedure.		
Progress Bar	<div><div>60%</div></div>	Original Due Date	31-Mar-2019	Due Date	31-Dec-2019
Parent Code & Title	IA2019PA014 Transportation			Managed By	Andrew McClelland
				Assigned To	Donna Reid

Code	IA2020PA007a	Description	<p>Audit Action: Carefirst should be considered as a storage location for holding all relevant placement information – as a replacement to the current systems being used.</p> <p>This would ensure that all data is held securely against each young person's record, whilst remaining accessible to those with appropriate system access rights.</p> <p>In addition, Carefirst could be used to hold financial cost information on each placement. This would reduce the reliance on spreadsheets.</p> <p>Audit Finding: Highly sensitive young person placement data is being kept in paper files by Education, with no direct electronic equivalent being available.</p> <p>Risk: Data loss due to paper files not being backed up; inability to locate highly confidential data; GDPR breaches</p>		
Priority	1	Latest Note	A clear rationale has been put forward for not pursuing an electronic system at this time, ie. Psychological Service files are large and would require extensive input to update at this time. They are also kept securely. We have agreed to reconsider an electronic system in 2021.		
Progress Bar	<div><div>0%</div></div>	Original Due Date	31-Dec-2019	Due Date	31-Dec-2019
Parent Code & Title	IA2020PA007 External Residential and Education Placements			Managed By	Caroline Amos
				Assigned To	Gail Nowek

Code	IA2020PA014c	Description	<p>Audit Action: All assessment records relating to service users should be recorded on CareFirst.</p> <p>Audit Finding: Assessment records retained on service user files are inconsistently recorded on CareFirst.</p> <p>Risk: There is a risk that when a challenge is made key evidence is missing and the Council will be unable to evidence that assessments have been completed and what has been agreed with the client.</p>		
Priority	1	Latest Note	<p>CDIS community packages will be transferred onto Carefirst and record actual service delivery. We have now identified accurate service package commitments using the old establishment/trailing through observations and checking paid invoices and the Business Improvement Officer has built up an establishment with these correct details on it, so this will be used for Service agreements which are to be put on Carefirst.</p> <p>One of the biggest problems identified was the lack of communication via workers not notifying Finance of services ending and Finance not checking observations on Carefirst when notified and updating the establishment, so a process will be been built in that if any change is made via observation to a service package, then we must be notified and changes updated on Carefirst.</p> <p>Once service packages are on Carefirst, a further check which the Accountant and Business Improvement Officer will do each month is to carry out a monthly sense check via Business Objects reporting, which compares the Service Packages on the system to invoices paid, and variations will be checked and if something doesn't look right, it will be queried with the worker to identify the reason for this, as it may be that the system hasn't been updated with an observation regarding the change or that finance just haven't been notified.</p> <p>We are currently at the stage of the Senior Manager agreeing the service types and element codes which will be used on Carefirst and then we can start putting samples on the test system to make sure all is OK before going live, which will hopefully be by September/October this year. We will also be agreeing and issuing a process map which details all steps within the overall process to employees.</p>		
Progress Bar	<div><div>55%</div></div>	Original Due Date	30-Jun-2020	Due Date	30-Jun-2020
Parent Code & Title	IA2020PA014 Self-Directed Support			Managed By	Caroline Cameron
				Assigned To	Eleanor Currie

Code	IA2020PA024a	Description	Audit Action: Specific risk management training should be arranged for Chief Officers Audit Finding: There has been no specific risk management training for Chief Officers Risk: The Council hasn't ensured that Chief Officers have sufficient awareness and understanding of risk management for their roles.		
Priority	3	Latest Note	The training has been delayed due to the Covid-19 crisis and a new date has not yet been set. Estimated completion date Feb-March 2021.		
Progress Bar	<input type="text" value="0%"/>	Original Due Date	31-Mar-2020	Due Date	31-Mar-2020
Parent Code & Title	IA2020PA024 Code of Corporate Governance			Managed By	Fiona Walker
				Assigned To	Alex Fitzharris

NORTH AYRSHIRE COUNCIL**29 September 2020****Audit and Scrutiny Committee**

Title:	Internal Audit Reports issued
Purpose:	To inform the Committee of the findings of Internal Audit work completed since the last meeting in January 2020.
Recommendation:	That the Committee considers the outcomes from the Internal Audit work completed.

1. Executive Summary

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

2. Background

- 2.1 This report provides information on Internal Audit work completed since the last meeting in January 2020. 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 5 separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

Audit Title	Assurance Level
ICT Assets	Limited
Agency Staff and Workers	Limited
Self-Directed Support	Reasonable
Library and Information Service	Reasonable
Bereavement and Burial Service	Reasonable

- 2.4 The most significant findings are:

- limited assurance was obtained with regard to the controls around ICT assets particularly in relation to lack of budget holder approval for ICT procurement, physical security and confirmation ICT assets have been properly sanitised.
- there is no evidence of the HR guidance 'Engaging Agency Workers and Personal Service Companies' being correctly applied within the Council.
- Reasonable assurance was obtained around the Self-Directed Support scheme, but it was noted that very limited staff training on the scheme has taken place since 2013.
- Reasonable assurance was obtained with regard to the processes to control internet access from Library PC's.
- A risk assessment should be carried out on the Library Service's current plan to replace PCs with tablets. This should cover how the portable devices will be secured to prevent theft, but also how access to the internet will be controlled.
- reasonable assurance was obtained with regard to the current processes within the Bereavement Team. The processes on the mainland are robust, however the fact that Arran is not aligned with this process creates a level of risk within the Service.

- 2.5 A further 6 reports which received substantial assurance have been finalised since the last Committee. These are listed in the table below and have not been included within this report following consultation with the Chair. These reports are available to Elected Members on request.

Audit Title	Assurance Level
Capital Monitoring	Substantial
Treasury Management	Substantial
SEEMIS	Substantial
Commercial Refuse	Substantial
Licensing	Substantial
Carefirst	Substantial

3. Proposals

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed since the last meeting in January 2020.

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 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

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 Finance

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

Background Papers

None.

ICT ASSETS

1 Background

- 1.1 The ICT Assets audit is part of the approved 2019/20 audit plan and focused on procurement, recording and monitoring, security and disposals.
- 1.2 The audit focused on Corporate ICT Assets only and excluded Education ICT Assets.
- 1.3 The period covered by the audit is 1st April to 30th September 2019.
- 1.4 There is a contract in place with HP Inc UK Ltd and XMA Limited for the procurement of desktops, laptops and tablets. There is also a contract in place with RE-Tek UK Ltd for the secure collection and disposal of ICT equipment.
- 1.5 Requests for new ICT assets are logged via the ICT Service Desk system. The current system is called EHD but ICT will be moving to a new system called Samanage. Once a job is raised, the job is added to the Procurement job queue to allow the ICT Services admin assistant to raise a purchase order via Integra. Goods will be receipted by the ICT Services admin assistant and invoices are processed by Business Support.
- 1.6 Discovery software is an asset management system used to record all physical PCs and laptops. System Centre is a Microsoft product which provides a list of all Windows-based network devices. IGEL is the system used to record virtual devices.

2 Objectives and Scope

- 2.1 The main objectives of the audit were to ensure that:
 - ICT assets are procured in line with Council policy and have been appropriately approved.
 - ICT assets are appropriately recorded, managed and insured.
 - Proper security controls are in place for ICT assets and access to ICT equipment is appropriately restricted.
 - ICT Assets are disposed of in compliance with regulations and NAC policies and inventories are updated accordingly.

3 Findings

Procurement

- 3.1 The Integra approval route is determined by the requisition point selected when the purchase order is processed. ICT Services have access to all requisition points; however, all the purchase orders in this audit had an ICT requisition point which means they were approved by ICT Services and not the budget holder. There was no evidence that budget approval was obtained when the job was logged via the ICT Service Desk system. This issue has been highlighted previously by Internal Audit. Further discussions with IT Services confirmed the current Integra approval process should remain; therefore, budget holder approval must be obtained at the time of the request for a new ICT asset within the new service desk system. **(action a)**

- 3.2** The ICT procurement form states the revenue and capital account codes that should be used for the procurement of ICT hardware and the Service should advise the cost centre. ICT advised that no standard finance codes are used and the person requesting the procurement advises the finance codes to be used. From the testing carried out, there were 18 different account codes used for the purchase of ICT hardware. In addition, the auditor extracted all transactions coded to the revenue code (26051) and capital code (70017). There were 15 suppliers coded to the revenue code, including HP Inc UK Limited. There were 9 suppliers coded to the capital code, including HP Inc UK Limited and XMA Limited. **(action b)**
- 3.3** Internal Audit tested a sample of 10 purchase orders and all 22 devices purchased were traced to Discovery, System Centre or IGEL using the serial number.
- 3.4** The Accounts Payable section advised that if there is a difference between the goods received and the invoice, the invoice will require to be certified. The report of all ICT purchase orders raised with HP and XMA was reviewed and all invoices were certified. Capita have confirmed that the Certifier box populates whether or not the invoice was actually certified and advised that this is “working as designed” and cannot be changed. The auditor obtained further assurance that where there is a genuine difference, an invoice certification email is issued, and an invoice will not be paid until the invoice has been certified.

Recording, Monitoring and Insurance

- 3.5** There is no single inventory record in ICT for all our ICT Assets as different inventory systems are used for different purposes. An analysis of a Discovery and System Centre report which were run on the same day showed major differences between the 2 reports when matching serial numbers. ICT advised that the information provided to audit included historical information which accounted for a high number of the discrepancies.
- 3.6** ICT Services advised they had stopped investigating devices that haven’t been audited in the last 90 days as the time spent investigating this was too time consuming. ICT Services confirmed that devices are automatically disabled after 90 days of non-use. As a result, they are introducing a new process to monitor and report on devices that have not logged on in the last 90 days which will include automatically contacting the last logged on user and their current line manager. This new process should help to ensure the Discovery system accurately reflects the current status of ICT devices and will help ensure the devices on Discovery and System Centre reconcile more accurately. **(action c)**

Security

- 3.7** ICT Services advised that laptops are now encrypted with integrated Bitlocker functionality although there is still a selection of older devices using Sophos Safeguard. Internal Audit tested to ensure all laptops on Discovery and System Centre were encrypted and found a high number of discrepancies indicating potential unencrypted laptops. ICT Services investigated this during the audit and advised the information provided to audit included historical information and when they analysed current devices (devices that have logged on within the last 90 days) they confirmed all devices were encrypted. The new process documented at 3.6 will help ensure assets on Discovery have the proper status to identify our current devices.

- 3.8** Access to the data centre at Bridgegate House is via a key. ICT Services advised they hold a key and the other key is held by the Council Officer at Bridgegate House. ICT Services have a record for the key they hold but the last entry was January 2019. There is no such record maintained at Bridgegate House. It would be more secure to change this access to card entry linked to the Kelio system in line with the access controls for the data centre at Cunninghame House. This would provide an audit trail for who is accessing the secure area. **(action d)**
- 3.9** The auditor reviewed Kelio access for secure ICT areas at Cunninghame House and Bridgegate House. Access is mostly restricted to relevant ICT employees and Council Officers. The Senior Manager Employee Services has confirmed there are no robust procedures in place for Kelio admin to deal with the movers and leavers report to ensure cards with access to secure ICT areas are amended or deactivated accordingly. This action has been noted in a recent Kelio audit report and management are taking action to rectify this.
- 3.10** The auditor identified 4 visitor cards which grant access to the ICT secure areas at Cunninghame House and Bridgegate House. When checked, 2 of these cards have been used to access the secure areas. ICT Services confirmed they do not hold any visitor cards. The Council Officer confirmed they only hold one visitor card. There are 3 visitor cards that cannot be accounted for. IT Services cancelled these cards during the course of the audit.

Disposal of ICT Assets

- 3.11** The auditor reviewed the process and paperwork for disposing of ICT assets for 8 disposal jobs and found the following:
- The paperwork for 5 out of 8 reconciled but in 3 cases extra items were uplifted as per the paperwork provided by Re-Tek.
 - The Special Waste Consignment Note (SWCN) is used to record the number of each item type advised to be picked up and the number collected. It was not signed by the NAC contact in 4 cases and it was not signed by the Re-Tek employee in 1 case.
 - In 2 cases the SWCN recorded the number of each item type advised to be picked up but did not state the number of items collected. The actual figures should be reconciled to the other paperwork.
 - One of the SWCN was not provided to ICT Services by the NAC contact.
 - The Waste Electrical and Electronic Equipment (WEEE) certificate was not provided in 1 case.
- (action e)**
- 3.12** The disposal company provides a management report listing all assets picked up per job and a sanitisation report providing data sanitisation assurance on the data storing assets required to be sanitised with no possibility of data recovery. This assurance has been performed in compliance with the UK government standard. The auditor reconciled the management report and the sanitisation report for devices requiring to be sanitised and found discrepancies in 2 disposal jobs resulting in 8 devices that should have been sanitised which have not been included in a sanitisation report. The disposal company confirmed that all 8 devices did not have a hard disk drive installed on them so didn't need sanitised. **(action f)**

4 Internal Audit Opinion

- 4.1 Overall, limited assurance was obtained with regard to the controls around ICT assets particularly in relation to lack of budget holder approval for ICT procurement, physical security and confirmation ICT assets have been properly sanitised.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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

KEY FINDINGS AND ACTION PLAN ICT ASSETS

Action	a
Finding	All purchase orders in the period being audited were approved by ICT Services and not the budget holder. There was no evidence budget approval was obtained when the job was logged via the ICT Service Desk system.
Action Description	Evidence of budget holder approval should be obtained at the request for a new ICT device within the new service desk system.
Risk	ICT devices are purchased without the knowledge and approval of the budget holder.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Carolann McGill, Team Manager Customer Experience
Due Date	30/10/2020
Management Comment	A budgetary approval process will be established, and approval will be recorded on Samanage ITSM

Action	b
Finding	Although the ICT procurement form states the revenue and capital account code that should be used for the procurement of ICT hardware, testing showed that 18 different account codes were used to purchased ICT hardware.
Action Description	ICT Services should consult with Finance regarding the best way to standardise the account codes to be used when procuring ICT hardware and the customer should only advise ICT of the cost centre to be used.
Risk	Inappropriate coding of procurement making it difficult to produce management information on ICT purchases.
Priority (1, 2, 3)	1
Paragraph Reference	3.2
Managed by	Fiona Walker, Head of Service (People and ICT), Mark Boyd (Head of Service (Financial and Customer Services).
Assigned to	Brendan Quigley (Senior Manager ICT), David Forbes (Senior Manager Finance).
Due Date	31/08/2020
Management Comment	<p>Finance will provide ICT with a list of appropriate account codes (revenue and capital) to be used for ICT purchases.</p> <p>Thereafter ICT will use these account codes for purchasing and will only ask Services to provide the appropriate cost centre when an order is being placed through the ICT Service Desk.</p> <p>Where Services do not have sufficient budget in the finance code used, it will be the responsibility of budget holders to liaise with their accountant to ensure that either budget is transferred, or the expenditure is balanced by other underspends.</p>

Action	c
Finding	ICT Services advised they had stopped investigating devices that haven't been audited in the last 90 days as the time spent investigating this was too time consuming. They are introducing a new process to monitor and report on devices that have not logged on in the last 90 days.
Action Description	ICT Services should document the new process for reporting and actioning devices that have not logged in the last 90 days to ensure appropriate action is taken and Discovery is updated to accurately reflect the status of such devices.
Risk	The asset management system does not accurately reflect the current ICT estate.
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	James McNeil, Team Manager IT Operations
Due Date	30/10/2020
Management Comment	<p>An automated process to email users about devices not used for more than 90 days will be developed. This includes the creation of new monitoring reports.</p> <p>In addition:</p> <ul style="list-style-type: none"> • The policy of new device for old to disposal will be enforced, where appropriate. • Old devices to be disabled on AD immediately after replacement. • The updated procedure will be defined and documented and added to Samanage ITSM as knowledge

Action	d
Finding	Access to the data centre at Bridgegate House is controlled via a physical key and there is no adequate audit trail of employees accessing this data centre.
Action Description	ICT Services should facilitate a discussion with PMI about changing the current key control access to the data centre at Bridgegate House to a swipe card entry system to restrict access to key employees only and to allow an adequate audit trail of employees accessing this data centre to be maintained. In the interim ICT Services should request the Council Officer at Bridgegate maintains a log of who uses the key.
Risk	There is no adequate record of employees accessing the secure data centre.
Priority (1, 2, 3)	1
Paragraph Reference	3.8
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	James McNeil, Team Manager IT Operations
Due Date	30/08/2020
Management Comment	<ul style="list-style-type: none"> • IT Services will facilitate a discussion with PMI re swipe card access. • The Council Officers (note: caretaker/s at Bridgegate) will be instructed to not to provide the key held locally within

	<p>Bridgegate House unless approved by a senior / team manager in IT Services. This key will be used for backup only.</p> <ul style="list-style-type: none"> • The caretaker/s at Bridgegate will be instructed to maintain a log of who uses the key stored at Bridgegate. • IT Services staff will be instructed to use the key stored at IT Services - Cunninghame House only and will be required to complete a log entry whenever the key is checked out. This log will be held within IT Services.
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Action	e
Finding	The auditor reviewed the process for disposing of ICT assets for 8 disposal jobs and found missing paperwork, paperwork that was not signed or completed properly and discrepancies between what the company was advised to pick up and what was picked up.
Action Description	<p>ICT Services should:</p> <ul style="list-style-type: none"> • remind the disposal company to ensure that all Special Waste Consignment Notes are properly completed and signed • remind NAC contacts to sign the Special Waste Consignment Note and to send it to ICT Services to check and retain • contact the disposal company for missing paperwork
Risk	Lack of a clear audit trail for the disposal of our ICT assets that hold NAC data.
Priority (1, 2, 3)	2
Paragraph Reference	3.11
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Iain Chisholm, Team Manager Contracts & Assets
Due Date	31/10/2020
Management Comment	<ul style="list-style-type: none"> • Retek will be formally requested to ensure their drivers fully complete sign and retain copies of all paperwork. • NAC staff will be reminded within the disposal process to retain and provide IT with copies of all paperwork. • Please note, only one piece of missing paperwork was identified. IT Services will ask Retek if they can provide a copy of the one missing WEE certificate.

Action	f
Finding	The auditor reconciled the management report and the sanitisation report and found discrepancies in 2 cases identifying 8 devices that should have been sanitised which have not. The disposal company have confirmed the 8 devices had no hard disk drive.
Action Description	ICT Services should request the disposal company amends the sanitisation report to include a summary of assets per category in line with the management report. ICT Services should reconcile the records to ensure all expected ICT assets have been sanitised and query any discrepancies with the disposal company immediately, to allow them to investigate and rectify.
Risk	Devices containing data have not been sanitised in line with the UK HMG Government Standard.
Priority (1, 2, 3)	1
Paragraph Reference	3.12
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Iain Chisholm, Team Manager Contracts & Assets
Due Date	31/10/2020
Management Comment	<p>Desktop PCs without hard drives – Retek provide 2 separate reports, one that records the chassis serial number and the other that records the hard drive serial number before it gets sanitised. If a device does not have a hard drive then it will only appear in the first report without explanation of why it isn't in the 2nd report.</p> <p>This issue was discussed with Retek just before COVID to amend or create new reports. A solution will be discussed with Retek upon Retek re-opening their business.</p>

Priority Key used in Action Plan

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

AGENCY STAFF AND WORKERS

1 Background

- 1.1 The Council supplements its permanent workforce with agency staff in instances where skills or capacity are not available in-house.
- 1.2 In April 2017, HMRC introduced new legislation which makes local authorities responsible for assessing whether labour provided by agency workers or personal services companies (PSCs) qualifies as 'off-payroll working'. If the contract is classed as meeting the definition of 'off-payroll working', the Council becomes responsible for deducting PAYE and National Insurance from invoiced amounts.
- 1.3 Employee Services has responded to this legislation change by creating guidance for managers which clearly sets out roles and responsibilities.

2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that: -
 - Services using agency or PSC staff are correctly assessing whether off-payroll working is occurring.
 - Standing Orders are being adhered to when appointing agency or PSC staff.

3 Findings

Assessment of off-payroll working

- 3.1 Building Services were the predominant user of agency staff during the 12-month period being reviewed (Building Services accounted for 87% of the total spend through agency staff ledger codes) and therefore testing focussed on their contracts.
- 3.2 6 suppliers provided the agency staff being used by Building Services.
- 3.3 Building Services were unable to provide evidence of employment status checks being carried out for each of these suppliers during the course of the audit. **(action point a, b)**
- 3.4 Payroll are responsible for calculating PAYE and NI deductions, at the request of the Service. Since the introduction of the new legislation Payroll confirmed that they have only been asked to do this for 1 supplier.
- 3.5 The classification of this supplier by Property Management and Investment (PMI) as a PSC has recently been brought into question and is currently being reviewed by PMI management. PMI have not retained any paperwork to justify the previous decision to treat the supplier as undertaking 'off-payroll working' and have therefore been advised by Employee Services to carry out the assessment again. This assessment will allow PMI to identify the correct treatment for the supplier, quantify any overpayment and formally advise Employee Services of the corrective adjustment required within the payroll system. **(action point c)**

Standing Orders compliance

- 3.6** The Council's contract register was reviewed to ensure it included the 6 suppliers referenced in 3.2 above. Only 4 were found to have live contracts with the Council. **(action point d)**
- 3.7** A comparison of the actual spend on agency staff against the suppliers listed on the contract register highlighted a further instance of off contract spend. Transport have been using a supplier approved to provide Building Services agency staff to supply mechanics - which is out with the scope of the contract. In addition, Transport have not undertaken an assessment of whether this labour qualifies as 'off-payroll working' and the resulting invoices have been miscoded in Integra. Transport have agreed to correct the miscodings and ensure future invoices are coded correctly. **(action point a, d, e)**

4 Internal Audit Opinion

- 4.1** Overall, limited assurance was obtained with regards to the adherence to Council procedures and guidance when Services are using Agency staff.
- 4.2** There is no evidence of the HR guidance 'Engaging Agency Workers and Personal Service Companies' being correctly applied within the Council.
- 4.3** Breaches of Standing Orders relating to Contracts have also been identified during audit testing.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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

KEY FINDINGS AND ACTION PLAN AGENCY STAFF AND WORKERS

Action	a
Finding	There is no evidence of employment status checks being undertaken and retained when using agency staff or PSCs
Action Description	All Services should be reminded of the existence, and need to apply, the Council's HR Guide on 'Engaging Agency Workers and Personal Services Companies'
Risk	Failure to comply with HMRC requirements resulting in financial consequences for the Council: reputational risk
Priority (1, 2, 3)	1
Paragraph Reference	3.3,3.7
Managed by	Fiona Walker (Head of Service - People and Transformation)
Assigned to	Jackie Hamilton (Senior Manager - Employee Services)
Due Date	Complete
Management Comment	An email has been sent to Heads of Service reinforcing the importance of compliance with this legislation. The email included a link to the Engaging Agency Workers and PSC HR Guide and requested that Heads of Service ensure all managers adhere to the guide.

Action	b
Finding	There is no evidence of Building Services carrying out employment status checks when using agency staff or PSCs
Action Description	Retrospective checks should be undertaken as a priority. If these checks indicate off-payroll working has been undertaken the financial implications must be quantified, and Employee Services notified of the corrective actions required.
Risk	Failure to comply with HMRC requirements resulting in financial consequences for the Council: reputational risk
Priority (1, 2, 3)	1
Paragraph Reference	3.3
Managed by	Yvonne Baulk (Head of Service - Physical Environment)
Assigned to	Leigh-Ann Mitchell (Senior Manager - Governance)
Due Date	Complete
Management Comment	All agency workers currently in use within Building Services have confirmed that they are working within the scope of IR35. Agencies will be asked to confirm this on an individual basis for any new workers provided.

Action	c
Finding	PMI have failed to comply with HMRC's 6-year retention period for employment status checks making it impossible to confirm whether payroll deductions have been erroneously paid on behalf of the supplier. Initial findings indicate that an overpayment is likely to have occurred, but this is yet to be quantified.
Action Description	PMI to conclude the review as soon as possible, identify any overpayment and formally notify Employee Services of the payroll adjustment required. All relevant staff should be reminded of the Council's HR Guide on 'Engaging Agency Workers and Personal Services Companies'.
Risk	Failure to comply with HMRC requirements resulting in financial consequences for the Council: reputational risk
Priority (1, 2, 3)	1
Paragraph Reference	3.5
Managed by	Yvonne Baulk (Head of Service - Physical Environment)
Assigned to	Alison Diamond (Team Manager Property Management & Investment)
Due Date	31 January 2020
Management Comment	<p>The on-line HMRC assessment tool has been re-run and Payroll have been advised of the outcome. A screenshot of the confirmation has been retained by PMI.</p> <p>A process has been established to ensure the appropriate payments and deductions are applied.</p> <p>Previous overpayments have been quantified and will be recouped by the Council, this is being progressed by PMI / Procurement and Payroll.</p> <p>PMI team managers have been reminded of the "Engaging Agency Workers and Personal Services Companies" HR Guidance.</p>

Action	d1
Finding	Standing Orders relating to Contracts have not been complied with.
Action Description	Building Services to liaise with Corporate Procurement to rectify the instances of off contract spend.
Risk	Breach of legislation: breach of Standing Orders
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Yvonne Baulk (Head of Service - Physical Environment);
Assigned to	Leigh-Ann Mitchell (Senior Officer - Governance)
Due Date	Complete
Management Comment	<p>Building Services had issues trying to source agency workers through a previous framework. This was discussed with Internal Audit and Corporate Procurement who both advised that if a time period passed and framework agencies could not provide anyone then they could go to the open market for this resource. Further guidance received is that any other available frameworks would be investigated prior to going ahead with off contract orders or a quick quote would be carried out dependant on value and urgency. If this continues to be an issue Corporate Procurement will manage this with the providers on the framework.</p> <p>When the new framework was implemented, Building Services asked what should happen with any agency workers in place prior to this who were not on the current framework and the guidance from Corporate Procurement was that there was no action required with the workers we had at that point on the old contract as these would remain part of the old contract. It is common for awards from frameworks to outlast the framework itself.</p>

Action	d2
Finding	Standing Orders relating to Contracts have not been complied with.
Action Description	Transport to liaise with Corporate Procurement to rectify the instances of off contract spend.
Risk	Breach of legislation: breach of Standing Orders
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Managed by	David Hammond (Head of Service - Commercial)
Assigned to	Gordon Mitchell (Corporate Transport Manager)
Due Date	Complete
Management Comment	<p>A new contract has recently been awarded for the supply of specific building trades, unfortunately this does not include mechanical trades. The current agency staff member working within the Transport Hub terminated his time with effect of the 25 October 2019. The team will engage with Corporate Procurement team to identify the most appropriate route which will meet our future needs within the Councils Standing Orders.</p>

Action	e
Finding	There is no evidence of Transport carrying out employment status checks when using agency staff or PSCs
Action Description	Retrospective checks should be undertaken as a priority. If these checks indicate off-payroll working has been undertaken the financial implications must be quantified, and Employee Services notified of the corrective actions required.
Risk	Failure to comply with HMRC requirements resulting in financial consequences for the Council: reputational risk
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Managed by	David Hammond (Head of Service - Commercial)
Assigned to	Gordon Mitchell (Corporate Transport Manager)
Due Date	Complete
Management Comment	The Transport Hub carried out retrospective employment checks with our main supplier All Needs and they have confirmed that all staff supplied are not off payroll working. All future checks will be carried out prior to the commencement of work by agency staff.

Priority Key used in Action Plan

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

SELF-DIRECTED SUPPORT

1 Background

- 1.1** In 2013, a law on social care support, the Social Care (Self-directed Support) (Scotland) Act 2013 was passed by the Scottish Parliament. The Act empowered people to decide how much ongoing control and responsibility they want over their own support arrangements.

The Act places a duty on Councils to offer people four options as to how they receive their social care support. The four options are: -

1. the Council pay money directly to the client or carer who arranges their own support by employing care staff or buying services from one or more organisations;
2. North Ayrshire Health and Social Care Partnership does not pass money to providers or support organisations in the delivery of option 2, all funds remain within the Health and Social Care Partnership and we commission the chosen support agency whilst allowing the person to arrange and direct their care;
3. the client requests the Council to choose and arrange the support they think is right; and
4. the client chooses a mix of these options 1, 2 and 3 for different types of support.

- 1.2** Audit Scotland issued a progress report in 2017 with the following key messages: -
- although positive progress has been made in implementing Self-Directed Support not everyone is getting the choice and control envisaged in the strategy,
 - there is a need for effective training and management support to raise confidence to make decisions with clients about their support,
 - Council budget challenges restrict the choice clients have,
 - against the background of challenging recruitment and retention of staff it is difficult to offer flexible services, and
 - implementation stalled as the Integrated Joint Boards were formed, resulting in organisational change and loss of experienced staff.
- 1.3** In June 2019, the Care Inspectorate Scotland issued a thematic review of self-directed support in six Scottish councils which identified areas for improvement, especially in recording and evidencing positive client outcomes.

2 Objectives and Scope

- 2.1** The main objectives of this audit were to: -
- obtain background information related to payments;
 - ensure the assessment is carried out in compliance with the Act and all its regulations and that service users are informed of the options;
 - that suitable funding methods have been agreed to ensure fairness, regularly reviewed to ensure they are appropriate for Council budgets; and
 - that the annual review of the choice of options are completed.
- 2.2** The audit focused on Option 1 service users. There were 217 service users under this option at March 2019, with actual expenditure in 2018/19 of £2.936m.

3 Findings

Background

- 3.1 All procedure documents were completed in 2013. The common tenets of the process have not changed.
- 3.2 Online support is readily available through the 'Carena' website (Care and Support North Ayrshire), providing a number of links to independent guidance and support. However, it was noted that the web page link to North Ayrshire Council guidance is broken and returns an error message. **(Action a)**
- 3.3 There was a training programme implemented in 2013 and limited training has been completed in the intervening period. There has been a pattern of high turnover of staff within HSCP (during the 2018/19 financial year there were 225 leavers (13%) and 232 (14%) new starts). Whilst not all new staff will be front line social care practitioners, there is a risk that new team members have not been suitably trained to encourage the promotion of the policy in North Ayrshire. **(Action b)**

Assessment and Outcome Planning

- 3.4 A sample of 29 cases was selected to complete compliance tests. Apart from four files, there was evidence of assessment recorded on CareFirst. **(Action c)**
- 3.5 From the sample, 28 service users had a lead worker allocated. Due to the resignation of a lead worker one service user has been waiting, for less than a month, to be allocated a new lead worker.
- 3.6 Service users agree a direct payments contract with North Ayrshire Council. This forms a legal agreement identifying the Council's assessment of needs, financial implications and a breakdown of costs. Service users are assisted by a Social Worker or through the Independent Living Advisor to ensure there was one point of contact for service users, families and Senior Managers/Budget Holder when completing the Direct Payments Request form.
- 3.7 A review of the contract related paperwork for the test sample indicated that these contracts, as retained by North Ayrshire Council, were incomplete. Missing information included incomplete Direct Payments forms, and the calculator output was not evidenced for some of the sample. **(Action c)**

Funding Provision

- 3.8 A review of the sample confirmed that regular reviews of funding were being undertaken; however, the agreed amount for a large number of the sample reviewed evidenced an inconsistency of recording observations on CareFirst. **(Action c)**
- 3.9 Examination of the assessment reviews were indicative of positive impact being experienced by the service user; however, there is no evidence of this information being assessed to inform development of the self-directed support to other clients. North Ayrshire Health and Social Care Partnership are currently undertaking a self-assessment of the approach to self-directed support in line with the Director's 'Thinking Different, Doing Better' experience, which aims to empower practitioners to meet individuals' outcomes in more creative, person-centred ways. **(Action d)**

Review and Monitoring

- 3.10** From the sample selected, eight had been reviewed within the 12-month anniversary of the agreement, eight within 1½ years and seven were in excess of this period. The remaining six were not recorded on CareFirst. **(Action c)**
- 3.11** HSCP staff track progress of the direct payments through a spreadsheet on Microsoft Excel. Where the values of the self-directed care were recorded on CareFirst, the information matched that recorded on the spreadsheet.
- 3.12** Since 2017, following client reviews, there have been 239 monetary clawbacks at a total value of £947,033. Trend analysis indicates a slight decrease in the number and value of clawbacks since 2017. From the sample tested 12 had clawbacks recorded in the last calendar year.

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the administration of self-directed support.
- 4.2** Option 1 take-up of self-directed support as part of the overall Health and Social Care provision of service remains low. This audit focused on Option 1 which is only one of the 4 options under SDS, is based on individual client choice and is not necessarily reflective of a failure to promote choice and control over how care is delivered.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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

KEY FINDINGS AND ACTION PLAN SELF-DIRECTED SUPPORT

Action	a
Finding	Online links to North Ayrshire Self-Directed Support lead to an error page
Action Description	Ensure that all links on the Council's internet site are working.
Risk	Individuals are unable to find the relevant information to access the services available to them.
Priority (1, 2, 3)	3
Paragraph Reference	3.2
Managed by	Isabel Marr, Senior Manager Health and Community Care
Assigned to	Nicola Teager, Communication and Engagement Officer (HSCP)
Due Date	Complete
Management Comment	The Self-Directed Support (SDS) Team have met with the recently appointed Partnership Communications Officer to ensure the information available to the public/staff is clear, current and accessible with the correct contact details. On the transfer of information from Council site to Health and Social Care Partnership site the links were lost/removed and this has been rectified.

Action	b
Finding	Limited training in relation to self-directed support has been completed since 2013.
Action Description	A training gap analysis in relation to self-directed support should be undertaken, where staff assessed as requiring training are identified and an information programme put in place.
Risk	This will ensure that a consistent approach is taken to the roll-out of self-directed support and allay the Audit Scotland identified risk that social workers were not confident to assist service users to make a fully informed choice.
Priority (1, 2, 3)	1
Paragraph Reference	3.3
Managed by	Isabel Marr, Senior Manager Health and Community Care
Assigned to	Kimberley Mroz, Policy Manager SDS
Due Date	31 March 2021
Management Comment	The SDS Team will work closely with the Learning & Development Team and Practitioners to complete a training needs analysis and develop appropriate training and awareness courses to be delivered across North Ayrshire during 2020-21. This will be part of the re-launch of SDS and communicate changes to any processes and policies to practitioners.

Action	c
Finding	Assessment records retained on service user files are inconsistently recorded on CareFirst.
Action Description	All assessment records relating to service users should be recorded on CareFirst.
Risk	There is a risk that when a challenge is made key evidence is missing and the Council will be unable to evidence that assessments have been completed and what has been agreed with the client.
Priority (1, 2, 3)	1
Paragraph Reference	3.4, 3.7, 3.8 and 3.10
Managed by	Caroline Cameron, Chief Finance and Transformation Officer
Assigned to	Eleanor Currie, Finance Manager
Due Date	30 June 2020
Management Comment	The services not currently contained on Care First relate to Children with a Disability Care Packages where service user agreements are not yet held on Care First. The finance team and service are working together to ensure appropriate sharing of information and an agreed process and timeframe for transferring these services onto Care First. In the meantime the information is currently recorded and held out-with Care First and there is work underway to ensure improved processes for children's care packages, this is also referenced in the recent audit of Community Based Support.

Action	d
Finding	North Ayrshire Health and Social Care Partnership are currently undertaking a self-assessment of self-directed support.
Action Description	A method should be developed for recording outcomes as a result of self-directed support to assess and build on positive outcomes, as identified in the Care Inspectorate thematic review of Self-Directed Support in Scotland.
Risk	There is a risk that the Council is unable to evidence the positive outcomes for clients and use this information to encourage others to be more involved in directing how their care and support is delivered to best meet their needs. Failure to learn lessons from previous experience.
Priority (1, 2, 3)	1
Paragraph Reference	3.9
Managed by	Isabel Marr, Senior Manager Health and Community Care
Assigned to	Kimberley Mroz, Policy Manager SDS
Due Date	30 September 2020
Management Comment	The purpose of the Support Plan is to record personal outcomes and to enable the practitioner, at the point of review, to measure outcomes. The SDS Review Team will provide clarity for practitioners and service users and ensure that the choice in relation to SDS option is clearly and consistently recorded.

Priority Key used in Action Plan

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

LIBRARY AND INFORMATION SERVICE

1 Background

- 1.1 In recent years, Libraries have had to evolve the services they provide in order to support the changing needs of the community. This has resulted in a move towards digital technology.
- 1.2 Such technology presents new potential risks to the Service, which must be considered and mitigated where possible.

2 Objectives and Scope

- 2.1 The objective of this audit was to ensure that: -
- Processes are in place to prevent the loss of library assets
 - Sufficient controls are in place to prevent inappropriate content being viewed on Library IT equipment

3 Findings

Library Assets

- 3.1 Spydus (library management software) is used to: -
- Record all lending and returns
 - Identify late returns and generate reminder letters
 - Hold the fixed asset register for the service
- 3.2 Libraries charge members of the public for lost books, and do not allow any further borrowing until payment has been made.
- 3.3 Discussions with the Service highlighted that there is a delay in updating Spydus if the member pays the invoice at a Council building, other than a library. Audit and the Service discussed ways to improve this situation in both the short and longer term, and the Service is currently looking into these.
- 3.4 Libraries currently maintain a manual fixed asset register, in addition to the one within Spydus. Audit and the Service discussed whether, as an efficiency, the Service could dispense of the manual record.
- 3.5 Audit used matching software to compare the asset register held in Spydus to the manual register. Differences were found between the two. **(action point a)**

IT Access Controls

- 3.6 Libraries currently use ICAM software to control access to PCs. ICAM: -
- Assigns an access profile to each user, based upon date of birth information in Spydus
 - Keeps a log of each user's activity whilst on the library PC
- 3.7 Users are assigned one of 3 profiles, either 'child', 'teen' or 'adult' – with the 'child' and 'teen' profiles being based on access rights within Education.

- 3.8** Discussions with IT confirmed that whilst the access profiles assigned by ICAM were originally set up to be similar to those in Education, there is no ongoing link between the profiles in the two Services, meaning that profile access updates in Education don't automatically update those in Libraries.
- 3.9** There is a risk that over time the access profiles within Education and Libraries could diverge, meaning that children can access different content from Library and Education PCs. **(action point b)**
- 3.10** Libraries are currently looking at utilising more of the space within their buildings and are therefore considering reducing the number of PCs and moving towards more portable devices such as tablets.
- 3.11** Audit have had discussions with the Service with regards to preventing the theft of these portable devices, but have not yet identified a suitable solution.
- 3.12** Consideration needs to be given to the fact that iPads and Android tablets are not currently allowed on the Council's network as they are not deemed to be secure enough. ICAM would therefore not be available to provide access profiles.
- 3.13** These devices would have to access the internet via the public wi-fi network and, unless access control software is procured, would need to rely on either the filtering of the wi-fi provider, or the staff within the library setting appropriate filters and blocks on each device.
- 3.14** At present, the Library service only has 4 tablets available for use by the general public - 2 of which are used by young children and therefore don't have any browser access, and Library staff have restricted the browser access on the other 2 devices.
- 3.15** Moving away from PCs and more towards tablets potentially creates an additional risk to the Council. **(action point c)**

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the current processes for monitoring Library assets. The Service is using bespoke library management software which is effective at monitoring the movement of books etc. The Service needs to confirm that the fixed asset information held within Spydus is accurate.
- 4.2** Reasonable assurance was obtained with regard to the processes to control internet access from Library PC's. ICAM software controls access rights, although a process should be put in place to ensure 'child' and 'teen' access rights are regularly reviewed.
- 4.3** A risk assessment should be carried out on the Service's current plan to replace Library PCs with tablets. This should cover how the portable devices will be secured to prevent theft, but also how access to the internet will be controlled.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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

KEY FINDINGS AND ACTION PLAN LIBRARY AND INFORMATION SERVICE

Action	a
Finding	Differences were noted when reconciling the Service's manual fixed asset register to that held in Spydus.
Action Description	Both registers should continue to be maintained until the Service have investigated the differences and can be sure that the register on Spydus is accurate and complete. Once this has been completed, and the accuracy of records in Spydus has been confirmed, the Service can stop maintaining the manual register.
Risk	Inability to identify missing assets. Duplication of effort maintaining 2 registers.
Priority (1, 2, 3)	2
Paragraph Reference	3.5
Managed by	Rhona Arthur, Head of Service (Connected Communities)
Assigned to	Heather Benson (Systems and Performance Officer), Alison McAllister (Library and Information Manager)
Due Date	31/3/2021
Management Comment	Agreed

Action	b
Finding	Online access profiles for school aged individuals are not being regularly reviewed to ensure they stay in line with those used with Education.
Action Description	If it is not possible to link the profiles between the two Services, regular contact should be made with Education to enquire if any profile updates have been made, so that any changes can be reflected in ICAM profiles.
Risk	School aged individuals may be able to access content deemed inappropriate by Education from a Library PC.
Priority (1, 2, 3)	2
Paragraph Reference	3.9
Managed by	Rhona Arthur, Head of Service (Connected Communities)
Assigned to	Alison McAllister (Library and Information Manager)
Due Date	31/3/2021
Management Comment	Agreed

Action	c
Finding	There are new risks to the Service which need to be considered when planning a move from PC suites to tablets.
Action Description	A risk analysis to identify all the potential issues with moving from PCs to tablets and other portable devices should be undertaken. Options to mitigate these risks should be investigated before going ahead with the rollout.
Risk	Theft of tablets; loss of corporate browser filtering allows inappropriate or illegal activities to be undertaken using Council IT facilities
Priority (1, 2, 3)	2
Paragraph Reference	3.15
Managed by	Rhona Arthur, Head of Service (Connected Communities)
Assigned to	Heather Benson (Systems and Performance Officer), Alison McAllister (Library and Information Manager)
Due Date	31/3/2021
Management Comment	Agreed

Priority Key used in Action Plan

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

BEREAVEMENT AND BURIAL SERVICES

1 Background

- 1.1 The Bereavement and Burials Team ('The Team') are responsible for managing all lair sales and interments within North Ayrshire Council cemeteries.

2 Objectives and Scope

- 2.1 The main objectives of this audit were to: -
- confirm that detailed records of lair sales and interments are being kept,
 - ensure all lair sales and interments are been invoiced,
 - Review how the Council's Bereavement Charter is supporting the public

3 Findings

Record Keeping

- 3.1 All mainland and Cumbrae lair sales and interments are managed via dedicated software called BACAS (Burial and Cremation Administration Service).
- 3.2 This software holds details of every lair within North Ayrshire cemeteries (with the exception of Arran). Staff use BACAS to confirm which lairs are available for purchase and to then record all subsequent lair sales, interments, memorial permits.
- 3.3 The Team supplement BACAS with the use of a shared electronic diary for recording all booked funerals, an electronic filing system so that no paperwork is passed between staff, and a workforce app which allows supervisors to manage workloads and allocate tasks electronically to squads within cemeteries.
- 3.4 A review of the process by Audit found it to be good with check lists used to prompt staff to ensure that all steps of the process are completely accurately.
- 3.5 Staff on Arran are not using BACAS and operate their own manual system for managing the lair sale and interment process. Whilst no specific issues were found with this system during audit testing, no operational reasons for Arran having a completely different process from that on the mainland were identified.
- 3.6 Having a manual system on Arran increases the risk of: -
- Business continuity issues due to operating separately from the rest of the Service
 - Loss of data due to manual records not being backed up
 - Poorer information being available to management due to Arran activity not being included in any reports or statistics pulled from BACAS

(action point a)

Invoicing

- 3.7 Mainland invoices are raised by Business Support, whilst Arran invoices are raised by Debt Recovery. **(action point a)**

- 3.8** Audit obtained a report from BACAS of all interments, lair sales and transfer of titles recorded since April 2019. A sample of these was then traced to the subsequent sales invoice to ensure that the Council is reclaiming all income due to it. In addition, the lair number quoted on each invoice in the sample was checked to ensure it matched the one recorded on BACAS.
- 3.9** In addition, a sample of invoices was selected and traced into BACAS, again ensuring the lair number quoted on the invoice tied to that noted in BACAS.
- 3.10** During testing it was noted that one week's worth of services (from July 2019) had not been invoiced.
- 3.11** Bereavement Services could demonstrate that the request to raise these specific invoices had been passed to Business Support. Bereavement Services has now arranged for the missed invoices to be raised and have amended their process to include a check that all requests to Business Support have been actioned.
- 3.12** 2 of the invoices reviewed during testing were found to have incomplete lair information noted on them.
- 3.13** Bereavement Services have raised this issue with Business Support and reiterated the importance of ensuring the invoice narrative is exactly as provided.

North Ayrshire Bereavement Charter ('The Charter')

- 3.14** The Charter was set up in 2017 as a vehicle for improving the overall service provided to grieving families.
- 3.15** 4 funeral directors and 11 local clergy are signed up to the Charter and are listed as such on the Council's website.
- 3.16** It is reasonable to assume that members of the public might rely on this as a direct endorsement by the Council of these local businesses.
- 3.17** However, Audit testing confirmed that there were no criteria set out for joining the Charter in 2017, nor is there a regular review process to ensure that those listed as being part of the Charter remain as appropriate businesses for the Council to be directly associated with. This potentially puts the Council's reputation at risk. **(action point b)**

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the current processes within the Bereavement Team. The processes on the mainland are robust, however the fact that Arran is not aligned with this process creates a level of risk within the Service.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

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

KEY FINDINGS AND ACTION PLAN BEREAVEMENT AND BURIAL SERVICES

Action	a
Finding	Staff on the mainland and Cumbrae are managing the interment process electronically, whilst staff on Arran continue to use manual records.
Action Description	Arran should be aligned with the mainland's processes and procedures.
Risk	Business continuity issues due to operating a completely separate system on Arran; manual records are not backed-up in the same way that electronic records are.
Priority (1, 2, 3)	2
Paragraph Reference	3.6, 3.7
Managed by	David Hammond, Head of Service (Commercial Services)
Assigned to	Mark McNeil (Manager Streetscene)
Due Date	31 March 2021
Management Comment	The Service has been attempting to digitise Arran Bereavement Services in line with the mainland, and this has been highlighted again to IT to progress. The main issue is that since the upgrade to Office 365, our software system, BACAS has not been compatible. IT have arranged a workaround in that we can access BACAS via a virtual window however this is not available on Arran. The matter is currently with the software provider and IT to resolve, we understand the software provider is looking at a remote option rather than access from the server.

Action	b
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Finding	The North Ayrshire Bereavement Charter is not as formal an arrangement as is implied on the Council website.
Action Description	<p>A review of the Charter set up should be undertaken.</p> <p>Consideration should be given to formalising the Charter by having admission criteria or checks undertaken on local businesses before they are listed as members.</p> <p>A relaunch of the Charter to raise its profile while encouraging more local businesses to sign up should be considered.</p>
Risk	Implied relationship with local businesses creates a reputational risk to the Council if a party currently listed as part of the Charter fails to provide an adequate service.
Priority (1, 2, 3)	2
Paragraph Reference	3.17
Managed by	David Hammond, Head of Service (Commercial Services)
Assigned to	Mark McNeil (Manager Streetscene)
Due Date	31 March 2021
Management Comment	<p>At the next review of the charter the Service will consider moving away from the use of the word charter as the definition of the word appears to be the crux of the issue raised.</p> <p>Another other option would be to formalise the agreement with partners and thereafter police it. We are of the view that such formalisation and regulation would send a negative message to partners who we have worked hard to build good working relationships with, so voluntary compliance is our preferred approach. In the meantime, the Head of Service is happy to accept the risk noted.</p> <p>Should the Service receive any complaints about a funeral director who has failed to meet commitments no. 3 or 4 (the only two applying to external funeral directors) the Service would point out to the customer that their contractual relationship is between themselves and the funeral director and the Council is not a third party to that agreement nor have we ever committed to policing paperwork or timekeeping of funeral directors as part of the Charter.</p>

Priority Key used in Action Plan

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