

---

## NORTH AYRSHIRE COUNCIL

31 May 2022

### Audit and Scrutiny Committee

---

**Title:** External Audit Report on Audit Dimensions and Best Value for the year ended 31 March 2022

**Purpose:** To inform the Committee of the findings from the External Audit report on Audit Dimensions and Best Value for 2021/22

**Recommendation:** That the Audit and Scrutiny Committee:

- (a) notes the findings contained in the external auditor's Audit Dimensions and Best Value report;
- (b) notes the Sector Developments as outlined in the report; and
- (c) considers the verbal Interim Report by the external auditor.

---

### 1. Executive Summary

- 1.1 Deloitte LLP has been designated as the Council's external auditors for the six year period 2016-2022. 2021/22 is the final year of this appointment.
- 1.2 This report on the Audit Dimensions and Best Value provides the Audit and Scrutiny Committee with the external auditor's findings across the four audit dimensions, within the scope of the 2021/22 audit work, and the review of the arrangements made by the Council for securing Best Value.
- 1.3 The overall conclusions of the report state that the Council :
- continues to have robust budget setting and monitoring arrangements in place;
  - is financially sustainable in the short term;
  - faces significant financial challenges over the medium and longer term;
  - continues to have strong leadership and robust governance arrangements;
  - has a clear and robust performance management framework; and
  - has robust arrangements in place to secure Best Value.
- 1.4 The unaudited accounts for 2021/22 are due to be presented to Council in June 2022 and to the Council's external auditors, Deloitte LLP, for audit. The external audit Annual Report will be presented to the Audit and Scrutiny Committee in September 2022.

## **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. 2021/22 is the final year of this appointment.
- 2.2 A report on the Audit Dimensions and Best Value for 2021/22 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 2020/21 audit work. They include:
- Financial Management;
  - Financial Sustainability;
  - Governance and Transparency;
  - Value for Money
- 2.3 The report also incorporates a review of the arrangements made by the Council for securing Best Value, including an update on the progress made against the recommendations contained within the Best Value Assurance Report presented to Council on 23 September 2020.
- 2.4 In addition, the report examines North Ayrshire Council's preparedness in relation to the identified emerging issue of Climate Change and highlights the recently published Audit Scotland report, Addressing Climate Change in Scotland, which sets out the key improvements required to reach the Scottish public sector's climate change ambitions.
- 2.6 A summary of the key conclusions from the report include:

### Financial Management

The Council continues to have robust budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

### Financial Sustainability

The Council has set a balanced budget for 2022/23 and holds unearmarked reserves at a level consistent with its Reserves Strategy, therefore is financially sustainable in the short term. However, it continues to be faced with significant financial challenges over the medium and longer term, projecting a funding gap of £19.514m over the next two years, and a gap of £120m over a ten year period.

It is positive to see the work progressing with the sustainable Change Programme, with a comprehensive benefits tracker, and the commitment to invest in recovery and renewal, however, progress continues to be impacted by the pandemic. It is critical that this work is progressed at pace and scale to ensure that the planned benefits (both financial and environmental) are realised.

### Governance and Transparency

The Council continues to have strong leadership, which has been enhanced in the year with the creation of additional capacity at Head of Service to focus on priorities. The governance arrangements also continue to be robust with a comprehensive review of the infrastructure to enable hybrid meetings and an effective Audit and Scrutiny Committee. The Council continues to be open and transparent and demonstrates a culture of continuous improvement, with the planned development of the Participation Strategy.

### Value for Money

The Council continues to have a clear and robust performance management framework in place which has been enhanced in the year with the Performance Management Strategy and new Performance Dashboard. It has continued to report its performance against the priorities within the Council Plan and also against the LGBF, with clear actions in place to address indicators that are adrift of target.

The Council also continues to have robust arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

### Best Value

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

- 2.7 The unaudited accounts for 2021/22 are due to be presented to Council in June 2022 and to the Council's external auditors, Deloitte LLP, for audit. The external audit Annual Report will be presented to the Audit and Scrutiny Committee in September 2022.

## **3. Proposals**

- 3.1 It is proposed that the Audit and Scrutiny Committee:

- (a) notes the findings contained in the external auditor's Audit Dimensions and Best Value report;
- (b) notes the Sector Developments as outlined in the report; and
- (c) considers the verbal Interim Report by the external auditor.

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

### Financial

- 4.1 None.

### Human Resources

- 4.2 None.

### Legal

- 4.3 None.

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

4.4 None.

### **Climate Change and Carbon**

4.5 None.

### **Key Priorities**

4.6 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 Deloitte LLP consulted with the Head of Service (Finance) in preparing their report

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

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

### **Background Papers**

None



## North Ayrshire Council

**Report to the Audit and Scrutiny Committee  
on the 'Audit Dimensions and Best Value' for the year ended 31 March 2022**

Issued on 13 May for the meeting on 31 May 2022

# Contents

## 01 Our report

---

Key messages	3
--------------	---

### ***Audit dimensions and best value***

Overview	5
----------	---

Financial management	6
----------------------	---

Financial sustainability	9
--------------------------	---

Governance and transparency	17
-----------------------------	----

Value for money	20
-----------------	----

Best value	24
------------	----

Emerging issues – climate change	28
----------------------------------	----

Purpose of our report and responsibility statement	31
---	----

## 02 Sector developments

---

Local government in Scotland	33
------------------------------	----

The future of infrastructure: A survey of infrastructure trends	35
--	----

# Key messages

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.

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

## *Financial management*

The Council continues to have robust budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

## *Financial sustainability*

The Council has set a balanced budget for 2022/23 and holds unearmarked reserves at a level consistent with its Reserves Strategy, therefore is financially sustainable in the short term. However, it continues to be faced with significant financial challenges over the medium and longer-term.

It is positive to see the work progressing with the sustainable Change Programme, incorporating a comprehensive benefits tracker and a clear commitment to invest in recovery and renewal. However, progress continues to be impacted by the pandemic. It is critical that this work is progressed at pace and scale to ensure that the planned benefits are realised.

## *Governance and transparency*

The Council continues to have strong leadership, which has been enhanced in the year with the creation of additional capacity at Head of Service to focus on priorities. The governance arrangements also continue to be robust, with a comprehensive review of the infrastructure to enable hybrid meetings and an effective Audit and Scrutiny Committee. The Council continues to be open and transparent and demonstrates a culture of continuous improvement, with the planned development of a Participation Strategy.

## *Value for money*

The Council continues to have a clear and robust performance management framework in place which has been enhanced in the year with the Performance Management Strategy and new Performance Dashboard. It has continued to report its performance against the priorities within the Council Plan and also against the Local Government Benchmarking Framework (LGBF) with clear actions in place to address indicators that are adrift of target.

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

# Key messages (continued)

## **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 particular, we have highlighted some specific areas to consider in relation to climate change on pages 28-30 given the importance and urgency of addressing this. We have also included our “sector developments” on pages 33 to 35 where we have shared Audit Scotland’s national reporting and our research and informed perspective and best practice from our work across the wider public sector that are specifically relevant to the Council.

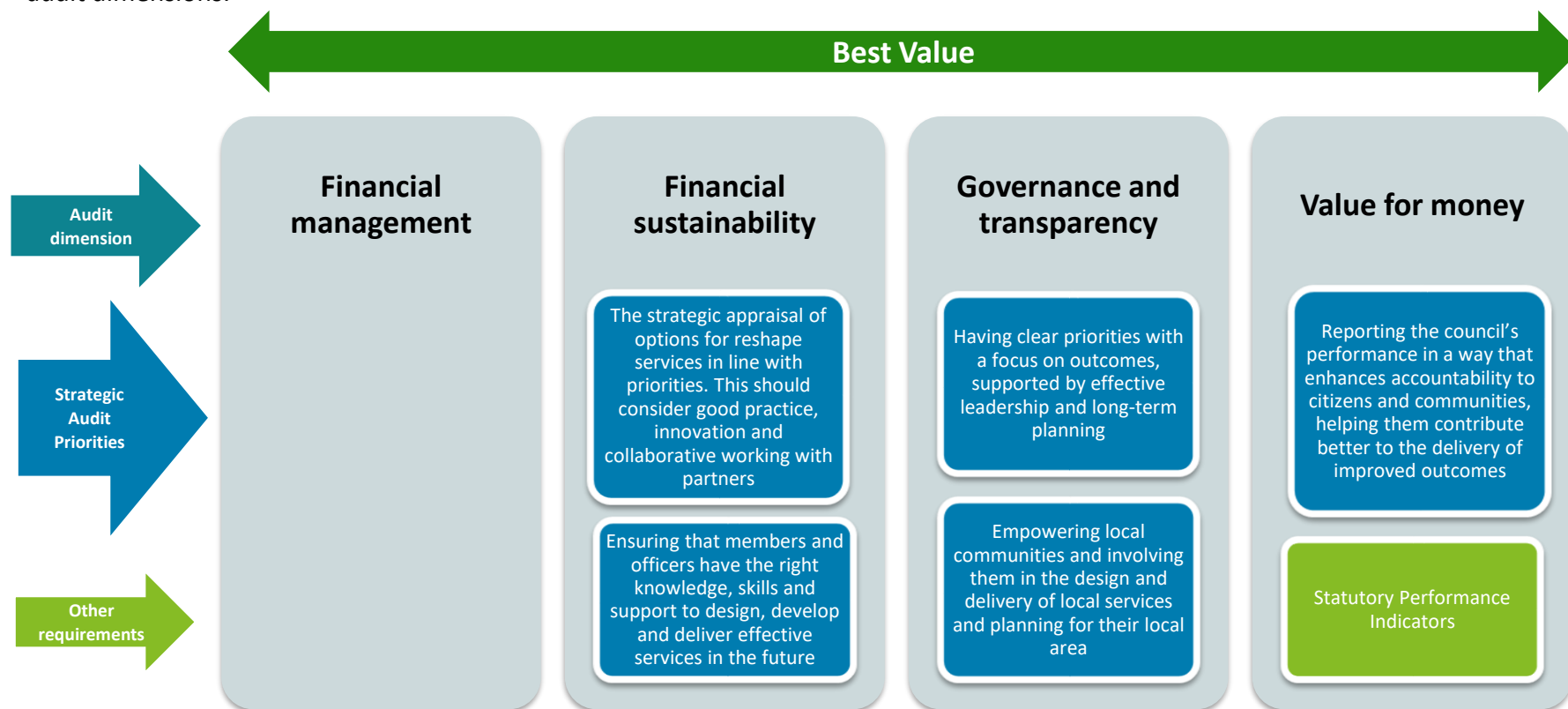


# Audit Dimensions and Best Value

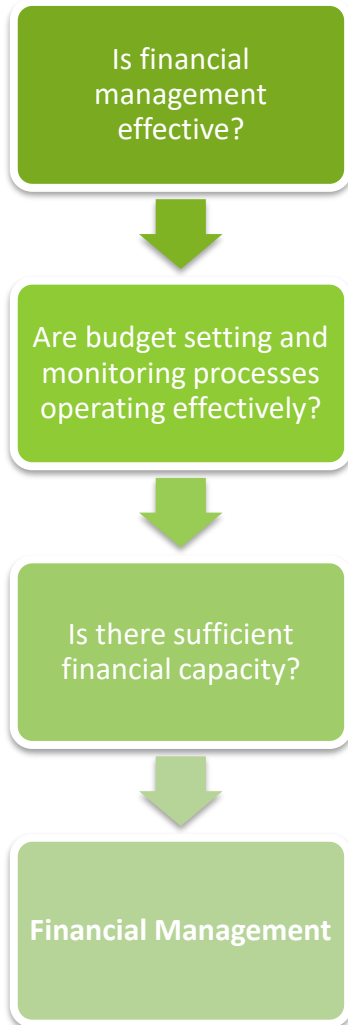
## Overview

This 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 (SAPs)** and the **Statutory Performance Information** Direction.

In recognition of the demands on auditors' time and the challenges of remote auditing, the Accounts Commission agreed that auditors are not required to specifically consider and report on the SAPs as part of the 2021/22 audit. The SAPs continue to be important but the work on the audit dimensions will be used to inform progress. We have therefore set out below how each SAP inter-relates to the audit dimensions.



# Financial management



## Significant risks identified in Audit Plan

In previous years we have concluded that the Council had strong financial management arrangements in place and a sufficiently qualified and experienced finance team. We therefore did not identify any significant risks in relation to financial management during our planning. We have continued to review the arrangements in place as summarised on the following pages.

## Current year financial performance

The **2021/22 General Fund budget** of £365.296m was approved by the Council on 4 March 2021. This included use of unearmarked reserves of £0.862m which were released following a review of corporate contingency funding. It has been updated throughout the year to include in-year movements and the latest projected position is a net underspend of £1.208m (0.3%) after carrying forward funds of £2.455m, i.e. a gross underspend of £3.663m. 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.

The main underspend has arisen in the Communities service, which has reported a £1.750m underspend in the year which is largely in Early Years Education due to the revised programme for full implementation of the expansion to 1140 hours which now expands into 2022/23.

The budget incorporated planned savings of £2.842m, with the majority of these on target to be delivered by 31 March 2022. The exception is the planned reduction in external residential placements for children which have been impacted by the pandemic, along with other minor shortfalls in planned savings resulted from the impact of the pandemic. These delayed savings have been offset by other underspends across the services.

As part of its ongoing monitoring, the Council has continued to identify a risk to the financial position presented by the uncertainty around the progress of, and recovery from, the COVID-19 pandemic.

# Financial management (continued)

## Current year financial performance (continued)

The **2021/22 Housing Revenue Account (HRA)** budget, agreed by the Council on 16 December 2020, is projecting an underspend of £3.298m. This has been consistently reported to members throughout the year as part of the normal reporting cycle. The primary reason for the underspend is due to a review of the profiling of a £2.5m contribution towards the £5m sustainability and regeneration programme, resulting in an underspend in property costs in the year.

The Council has an ambitious long-term **10-year investment programme**, as discussed further on page 12. Progress against this plan is reported regularly to Cabinet.

A summary of the original and revised budgets for the general services and HRA capital investment programmes (“CIP”) for 2021/22 is provided in the table below.

	General Services (£'000)	HRA (£'000)
<b>Original budget</b>	<b>77,762</b>	<b>109,756</b>
Changes to funding	7,000	
Other revisions	13,070	- 2,006
Rephasing of projects	(47,073)	(64,324)
<b>Revised budget</b>	<b>50,759</b>	<b>43,426</b>

As can be seen from the above table, the significant changes from the original budgets are due to having to re-profile a significant portion of capital projects to future years due to the COVID-19 restrictions impacting on the construction industry.

The Council has recognised that the major risk for the capital programme remains the uncertainty around the impact of the COVID-19 pandemic and the EU withdrawal on contractors and the cost of materials. Any significant increase in cost during the tendering phase will have a negative impact on the deliverability of both the General Fund and HRA capital programme for 2021/22 and beyond.

In setting its 2021/22 budget, the Council highlighted the continued engagement with the Convention of Scottish Local Authorities (COSLA) and the Scottish Government around additional support measures, including a range of financial flexibilities, which may be applied to address the financial impact of the pandemic. It concluded that, at the time of approving the budget, the benefits to the Council were limited but agreed to continue to monitor and approved the use of such flexibility to meet COVID-19 related pressures should the need arise through 2021/22. No such need has arisen during 2021/22.

## Finance capacity

The finance team has remained consistent throughout the year. Whilst COVID-19 has created additional work for the team, including the additional reporting requirements to the Scottish Government and administering of the business support grants, this is being well managed.

# Financial management (continued)

## Internal audit

We have assessed the internal audit function, including its nature, organisational status and activities performed. We have also carried out a review of the internal audit reports published throughout 2021/22. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2021/22 Internal Audit Plan was approved by the Audit and Scrutiny Committee in January 2021. Due to the impact of the pandemic on the delivery of the 2020/21 audit plan, the 2021/22 plan covered the slightly extended period from February 2021 to March 2022.

A mid-year update was provided to the Audit and Scrutiny Committee in November 2021, with a number of changes agreed due to a reduction in the number of available audit days mainly as a result of a gap in resourcing and continuing to avoid some audits which require physical site visits. As a result of this, the Committee approved the deferral of seven internal audits to 2022/23. The deferred audits were lower risk areas therefore not considered a significant risk to the overall audit opinion.

Good progress has been made in implementing internal audit recommendations, with the most recent progress report showing that of the 57 actions, 34 have been completed, 19 are not yet due, leaving 4 that have not started.

We will consider the work of internal audit as part of our audit work on the Annual Governance Statement and report our conclusions in our final report to the Audit and Scrutiny Committee in September 2022.

## Standards of conduct for prevention and detection of fraud and error

We have assessed the Council's arrangements for the prevention and detection of fraud and irregularities. This has included specific considerations in response to the increased risk of fraud as a result of COVID-19. Overall we found the Council's arrangements to be designed and implemented appropriately.

## National Fraud Initiative (NFI)

All councils are participating in the most recent NFI exercise which commenced in 2020/21. We have continued to monitor the council's participation and progress in the NFI during 2021/22 and submitted an assessment of the Council's participation to Audit Scotland in February 2022. 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 2022. We concluded that the Council was fully engaged in the exercise.

### Deloitte view – financial management

The Council continues to have robust budget setting and monitoring arrangements in place. This is supported by an experienced finance team and a robust internal audit function, as well as appropriate arrangements for the prevention and detection of fraud and error.

# Financial sustainability



## Significant risks identified in Audit Plan

While the Council has historically achieved short term financial balance, there remains a risk that robust medium-to-long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively. We have therefore considered the 2022/23 budget setting process and the work being done over the medium and longer-term including the sustainable change programme and recovery and renewal as summarised on the following pages.

## 2022/23 budget setting

The Council approved a balanced budget of £380.710m for 2022/23 on 2 March 2022. This incorporated an initial budget gap of £31,500 for which a detailed savings plan have been developed. This is in addition to the savings of £3.087m previously approved. The 2022/23 budget assumes no draw on unearmarked reserves, an increase in core grant funding and a 3% increase in Council Tax.

In setting its budget, the Council recognises that its financial framework is underpinned by strategic, operational and project risk registers. The following key risks have been identified that are associated with securing financial sustainability.

- Financial Environment – funding not keeping pace with cost of service delivery;
- Financial Sustainability of the Health and Social Care Partnership (HSCP); and
- Delivery of sustainable change programme/transformation – to address projected budget deficit.

The Council, via COSLA, continues to have dialogue with Scottish Government across a range of areas including fair funding, multi-year financial settlements, financial flexibility and the levels of funding ring-fenced to meet policy commitments. It recognises that the delivery of financial savings through a change and transformation programme, including the use of investment in “net zero” projects, is a more sustainable approach in addressing the financial challenges in the medium and long-term.

# Financial sustainability (continued)

## 2022/23 budget setting (continued)

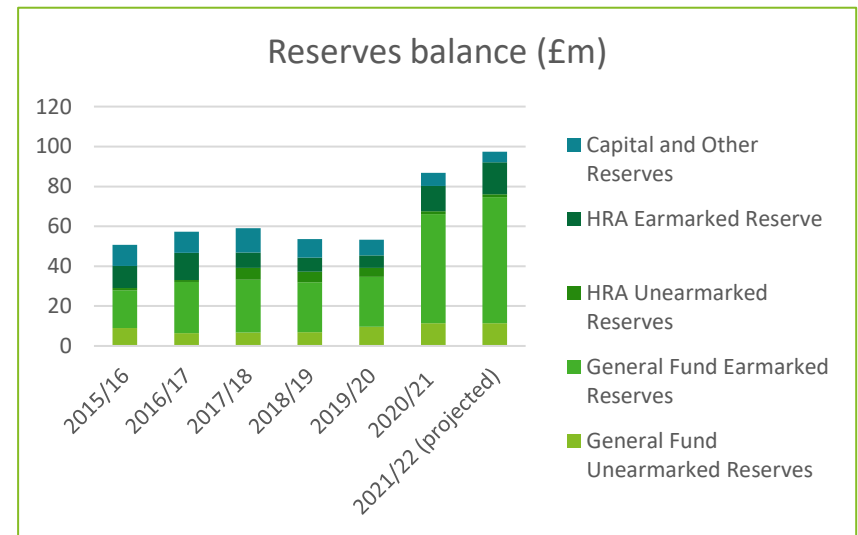
Elected members were fully involved in the budget process in advance of the formal budget setting meeting. This included comprehensive budget sessions in November 2021 and February 2022 with all elected members. As part of these sessions, members were taken through the key planning assumptions, the financial gaps and the options available to close the gaps. The sessions not only covered the 2021/22 position, but also looked to the medium-term to 2024/25 and considered the corresponding workforce and capital programme implications.

The Council also carried out virtual community engagement sessions on 20 January 2022 and 27 January 2022 with all localities represented. Feedback from these sessions continue to help inform the budget process and influence investment proposals.

## Reserves

At the time of approval of the 2022/23 budget on 2 March 2022, 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 projected reserves position at 31 March 2022 is illustrated below:



The unearmarked general fund reserve is projected to remain consistent with 2021/22 at £11.315m. This represents 2.9% of budgeted net expenditure and is in line with the Council's Reserves Strategy, albeit towards the lower end of the recommended range of between 2 and 4%.

# Financial sustainability (continued)

## Reserves (continued)

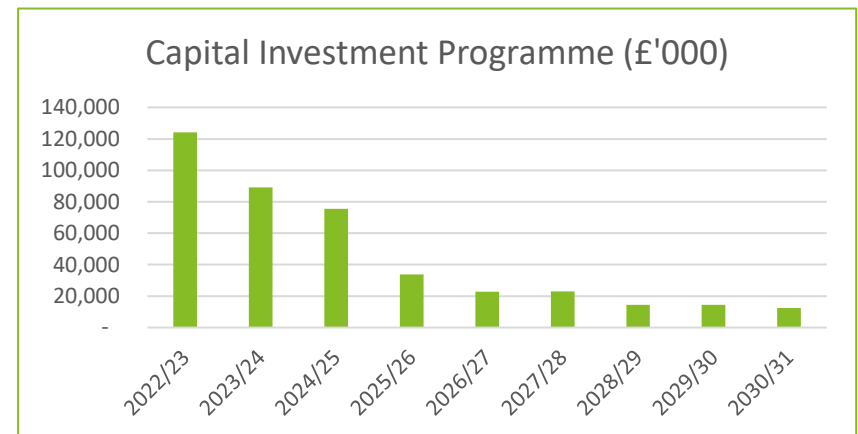
The overall reserves position is projecting to continue to increase from the 2020/21 position, however, the majority of this is earmarked for specific purposes, in particular:

- **Project specific funds (£28.820m)** – these will be carried forward from 2021/22 to allow completion of specific projects. This includes the sum of £2.476m to help mitigate the legacy financial impact of the pandemic.
- **Prudential Investment Fund (£7.307m)** – these are resources to smooth the revenue implications of loan charges supporting the Capital Investment Programme.
- **Renewal Fund (£13.594m)** – these are to support a range of projects across key themes identified through the experience from the pandemic.
- **Investment Fund (£8.488m)** – these are to support a number of sustainability, infrastructure and Community Wealth Building projects.

## Capital planning and treasury management

The Council updates its 10-year Capital Investment Programme (CIP) on an annual basis as part of its budget setting process. At the same time, it refreshed its Treasury Management and Investment Strategy. The latest long-term capital programme covers the long-term period of 2022/23 to 2030/31.

The graph below illustrates the projected CIP over the next 10 years, which again shows that the Council continues to have an ambitious capital programme, particularly in the first 3 years of the programme which totals £289m.



A total of £47m of planned expenditure from 2021/22 has been re-profiled into 2022/23 to 2030/31 in line with updated project delivery timelines (as discussed further on page 7). In addition, to manage the risks associated with the consequences of the pandemic referred to on page 77, specifically increased contractor and material costs, an additional £10m investment has been included within the budget over the next four years.

# Financial sustainability (continued)

## Capital planning and treasury management (continued)

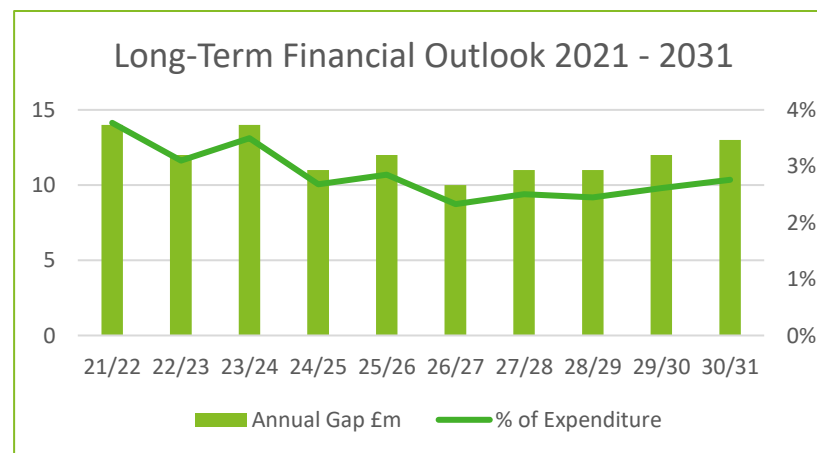
The next major review of the capital programme is planned for 2023/24. The longer-term affordability of the current and future programme requires incremental increases to the current General Fund financing budget which has been included in the indicative budgets for 2022/23 to 2025/26. As part of the planned major review, the Council plans to review the available financing budgets with a view to increasing the available funding to maintain these programmes.

The HRA capital programme is also updated annually as part of the annual report of the HRA Business Plan. In February 2022, the Council approved £114.507m HRA capital expenditure for 2022/23 and a further £98.259m for future years.

Similar to the CIP, the 2021/22 HRA capital programme has experienced delays due to the COVID-19 restrictions on the construction industry. The 2022/23 programme has been updated to reflect these delays. The Council and its Registered Social Landlord (RSL) partners have been monitoring the impact of both COVID-19 and Brexit on the Strategic Housing Investment Plan and has reported that there is clear evidence of both time and financial impacts due to national labour and material shortages and an increase in material costs. A total of 1,625 new homes are targeted for completion by the Council by 31 March 2027, of which 632 were completed at 20 January 2022, with the total expected to increase to 695 by 31 March 2022.

## Medium-to-long term financial planning

As reported in our 2020/21 audit report, the Council updated its Long-Term Financial Outlook (LTFO) in December 2020, covering the period 2021/22 to 2030/31. This establishes a sound basis for the development of the Medium-Term Financial Outlook and subsequent annual budgets. It identified a funding shortfall of £120m over the next 10 years. This compared favourably to the shortfall identified in the previous LTFO published in 2017, where a gap of £156m over a 10-year period was identified, but still remains a significant challenge.



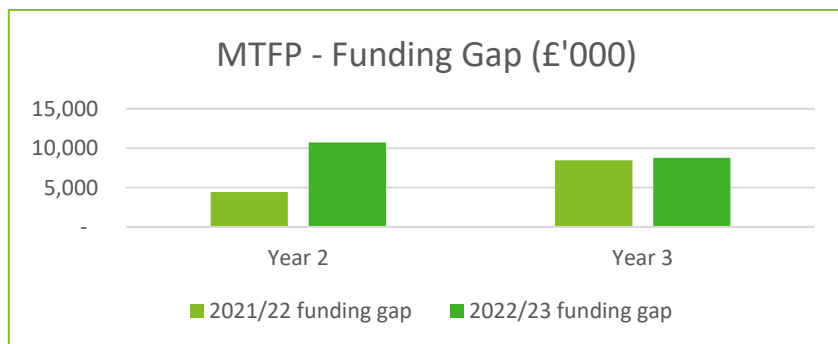


# Financial sustainability (continued)

## Medium-to-long term financial planning (continued)

The Medium-Term Financial Plan (MTFP), as updated in February 2022 for the period 2022/23 to 2024/25, draws on the same data and projections, with the exception being that the 2022/23 funding position was known at the time of drafting the MTFP. This includes further one-off funding of £120m being announced by the Scottish Government on 27 January 2022. Based on current planning assumptions around financial pressures, Scottish Government funding levels and Council tax funding, this identified a gross funding gap of £38.998m over the next 3 years.

In setting its 2022/23 budget in March 2022, proposals were included for future years in relation to the MTFP, resulting in a balanced budget being set for 2022/23 and a remaining gap of £10.729m and £8.785m for 2023/24 and 2024/25 respectively. No specific plans have been defined yet to bridge the funding gaps for 2023/24 and 2024/25. This is an increasing medium-term gap when compared with that estimated as part of the 2021/22 budget setting process, as illustrated below.



We have considered the updated assumptions used, which have resulted in the increased gap for 2023/24 to 2024/25 and concluded they are reasonable and based on available data, including:

- Rising inflation
- Predicted Interest Rate Rise
- Higher Taxes
- The Scottish Landscape

In the updated MTFP, the Council has recognised that the ongoing pandemic has resulted in significant costs to all local authorities during 2020/21 and 2021/22. Through a combination of financial recovery planning and funding support from the Scottish Government, this position has been managed within the overall resources available and has also supported investment into recovery and renewal activities. The majority of funding from Scottish Government ceases in 2021/22, however, legacy financial pressures remain across a number of areas including waste services, commercial and general income, facilities management and North Ayrshire Leisure Ltd. The Council has retained earmarked funds to help mitigate the impact of these pressures, as summarised on page 11, however, it is anticipated the funds will be utilised by 2023/24.

# Financial sustainability (continued)

## Sustainable change programme

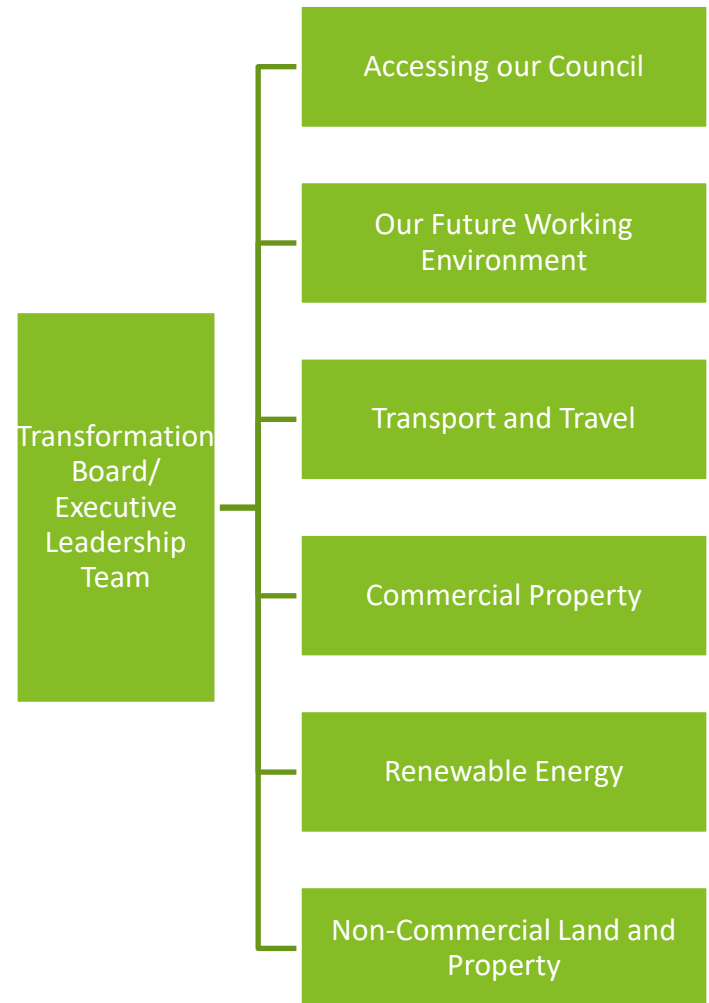
The Council has reported that progress continues to be made in developing its Sustainable Change Programme (SCP), aligned to the Council priorities and the Council Transformation themes, and set within the context of the Council Plan and Community Wealth Building Strategy. It has, however, recognised that progress has been impacted by the pandemic, but is clear that it remains vital that change is delivered at pace and scale to support both the budget and the Community Wealth Building ambitions over the medium and longer-term and to help reduce impact on communities.

The objective is to develop a pipeline of projects that will deliver improved outcomes, meet the Council's environmental ambitions, and deliver financial efficiencies to help address the projected funding gaps over the short, medium and longer-term.

To support the delivery of the SCP, a revised governance framework is in place, and includes programme development and monitoring through the Council's Transformation Board and Executive Leadership team. The current projects, each of which has a Project Board and Project Team, is illustrated opposite.

Each project is aligned to one of the following key themes, with digital being an enabler across each of the themes:

- Sustainability
- Land and Property Assets
- Children, Young People and Communities
- Caring for People
- Transport and Travel



# Financial sustainability (continued)

## Sustainable change programme (continued)

A new monitoring framework has been developed to track progress across the medium-to-longer term. The impact on how each project addresses the anticipated budget gap is reflected in the framework, as well as the workforce implications for delivery, the full-time equivalent impact of any anticipated savings and the anticipated key outcomes.

The latest monitoring to the Transformation Board demonstrates that the new monitoring framework is now being used, with each project having a separate tracker to monitor key information as summarized below, albeit a number of the projects do not yet have estimated financial data.

### Benefits Tracker - content

High level project scope	Key outcomes
Progress and achievement	Upcoming milestones
Items for escalation	Key risks and issues
Local authority research	Strategic alignment
Whole system toolkit	Financials (savings, investment, cost avoidance)

## Recovery and Renewal Investment

Another key enabler to support the budget challenges that the Council faces is from the use of investment, most notably through the Council's Investment Fund and Recovery and Renewal Investment Programme. With total resources of over £25m set aside, a key focus of this investment is to support sustainability projects as part of the Council's journey towards net zero. In addition to the clear environmental benefits, financial efficiencies through energy savings and returns on investment will accrue to help address the financial challenges over the medium-term.

The Cabinet has approved a range of investment proposals, including:

- ***Shewalton Solar Photovoltaic Farm Development*** - £5.280m.
- ***Community Investment Fund*** - £3.000m.
- ***Levelling up Fund – 10% match – Transport B714*** - £2.370m.  
As a result of this investment, the UK Government has confirmed an award of £23.693m to support this project, subject to approval of a full business case.

# Financial sustainability (continued)

## Workforce planning

The Best Value Assurance Report in 2020 concluded that the Council had a coordinated approach to workforce planning and was developing workforce plans to support transformational change.

In our 2020/21 audit we highlighted the positive work that the Council was doing to consider the impact COVID-19 has had on the workforce via the Future Working Environment project.

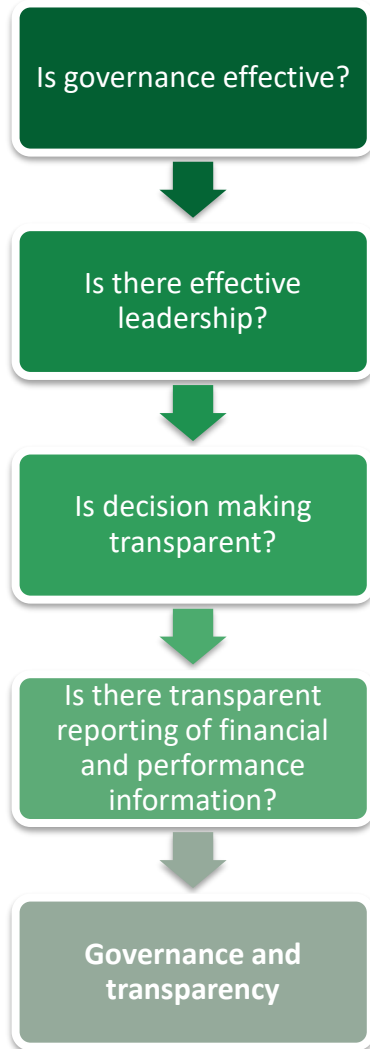
Workforce planning discussions have recommenced in 2021 and have been updated at six monthly intervals for the majority of services. These meetings ensure that workforce planning is aligned with challenges, service reviews and the transformation agenda

## Deloitte view – Financial sustainability

The Council has set a balanced budget for 2022/23 and holds unearmarked reserves at a level consistent with its Reserves Strategy, therefore is financially sustainable in the short term. However, it continues to be faced with significant financial challenges over the medium and longer-term, projecting a funding gap of £19.514m over the next two years, and a gap of £120m over a ten year period.

It is positive to see the work progressing with the sustainable Change Programme, with a comprehensive benefits tracker, and the commitment to invest in recovery and renewal, however, progress continues to be impacted by the pandemic. It is critical that this work is progressed at pace and scale to ensure that the planned benefits (both financial and environmental) are realised.

# Governance and transparency



## Significant risks identified in Audit Plan

In previous years we have concluded that the Council has strong leadership, and that the governance arrangements continued to work effectively. We therefore did not identify any significant risks in relation to governance and transparency during our planning. We have, however, continued to review the work of the Council and its Committees, as summarised on the following pages.

## Leadership

The Executive Leadership Team has remained largely consistent with previous years, and has continued to demonstrate strong leadership, working closely with partners. There continues to be a positive and collaborative culture.

In our 2020/21 report we highlighted that the Council appointed a Head of Service (Recovery and Renewal) in May 2020 for a period of 18 months in recognition of the significant work required in the recovery and renewal stage of the COVID-19 pandemic. As the recovery period is essentially complete and renewal focus is now embedded within the Council's sustainable change agenda, this post has been removed.

In December 2021, the Staffing and Recruitment Committee approved changes to the Chief Officer structure. The Council has recognised the need for additional capacity at a senior level to ensure focus on delivery in relation to climate change and sustainability. In addition, the pandemic has placed additional pressures upon the local economy and the Council's response. The key changes are as follows:

- The teams within Recovery and Renewal (namely Risk Management and Transformation) will align under the Head of Service (Finance) portfolio.
- An additional permanent Head of Service post has been created within the Place Directorate, given the increased focus on priorities on climate change, sustainability projects and Council's use of land and property assets.

# Governance and transparency

## Governance and scrutiny arrangements

We have reviewed meetings attendance from the past year and confirm that there has been good attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.

As a result of COVID-19 and associated restrictions, meetings of the Council and its committees have taken place on a wholly remote basis via MS Teams since June 2020. Live streaming of meetings ordinarily open to the public was introduced in October 2020.

The Council has installed hybrid meeting equipment in the Council Chamber to allow a combination of physical and remote attendance and has piloted this during October and November 2021. The pilot was then paused whilst the implications of the Omicron variant of COVID-19 was fully understood. The pilot has since resumed in February 2022 and the Council expect that meetings will revert to a physical format, along with the provision of hybrid facilities for those who wish to access remotely, with the start of the new Administration, guidance and risk assessment permitting. A number of learning points have been taken from the initial pilot in relation to reliability, room temperature, confidentiality, staffing resource, participation by external parties and added value.

The Audit and Scrutiny Committee continues to be a key element of the governance arrangements in place. Each year, it now undertakes a self evaluation of its performance, which has become a standard procedure following our recommendations. The outcome of the 2021 self evaluation, which is consistent with our understanding, was reported to the Committee in September 2021 which concluded that it was performing as expected in the majority of areas, with special strengths identified as:

- A full induction programme is in place for new members, and additional training is provided as part of the wider training and development programme of members;
- Attendance levels since the start of the current Administration range from 71-94%; and
- Positive and constructive relationship with officers of the Council and external auditors.

The development of an annual programme of scrutiny and review work has been identified as an area for focus and included as an improvement action by the Committee and will be taken forward as part of the Committees work during 2022/23.

The Audit and Scrutiny Committee provide oversight and scrutiny of the Strategic Risks through a mid-year update, which was reported to the Committee in November 2021.

# Governance and transparency

## Openness and transparency

The Council continues to stream full Council and Cabinet meetings, and publishes all meeting agendas and minutes on the Council website, thereby continues to demonstrate openness and transparency of decision making and performance information (which is considered further on page 21).

The Council has continued to engage with communities on plans and decisions. This has included being one of the earliest pilots for the “Consul” platform with COSLA which has been used to engage in consultations and debates such as the future of halls, centres and libraries, how the Council spend its budget and climate change.

In February 2022, the Cabinet approved a “Participation Strategy – Statement of Intent” which aims to develop a Participation Strategy for Communities. The Statement of Intent summarises the current main ways in which citizens can take part in local governance. A community consultation will then follow to co-design, co-develop and co-produce a Strategy to wider democratic participation, seeking to reach new ways of connecting with citizens.

### Deloitte view – Governance and transparency

The Council continues to have strong leadership, which has been enhanced in the year with the creation of additional capacity at Head of Service to focus on priorities. The governance arrangements also continue to be robust, with a comprehensive review of the infrastructure to enable hybrid meetings and an effective Audit and Scrutiny Committee. The Council continues to be open and transparent and demonstrates a culture of continuous improvement, with the planned development of the Participation Strategy.

## 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.

We are therefore satisfied that the Council has appropriate arrangements in place to comply with the Following the Public Pound Code.

# Value for money



## Significant risks identified in Audit Plan

The COVID-19 pandemic is expected to continue to have a substantial impact on performance reporting. There therefore remains a risk that the Council is unable to demonstrate that resources are being used effectively with a focus on continuous improvement. We have therefore reviewed the performance reports presented at the Council to assess the extent of openness and transparency during the year, as summarised on the following pages.

## Performance management framework

The Council has a Performance Management Strategy covering 2021 – 2024 “Driving continuous improvement for the people of North Ayrshire”. It sets out how the Councils’ performance management supports a culture of continuous improvement and an overview of planned developments to ensure continuous improvement. It has considered the impact of the COVID-19 pandemic on certain elements of performance management such as team workload, an increase in external reporting and the need to consider how the performance reporting is consumed.

During 2021/22, the Council has replaced its North Ayrshire Performs portal with a new Performance Dashboard which was developed in-house. This provides a more user friendly and accessible way for residents to access performance data. The Council has reported that due to the innovative way that it is presenting its information, it has been approached by several Councils in Scotland and Northern Ireland to provide demonstrations and advice.

## Statutory performance indicators

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 Statutory Performance Information Direction requires a council to report a range of information in the areas listed on the following page.



# Value for money

## Statutory performance indicators (continued)

### 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.

### 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 and Local Outcome Improvement Plan, the requirement to report on performance for both the Council and with its partner communities was already embedded practice. As noted on page 20, the approach has been enhanced with the development of the new Performance Dashboard.

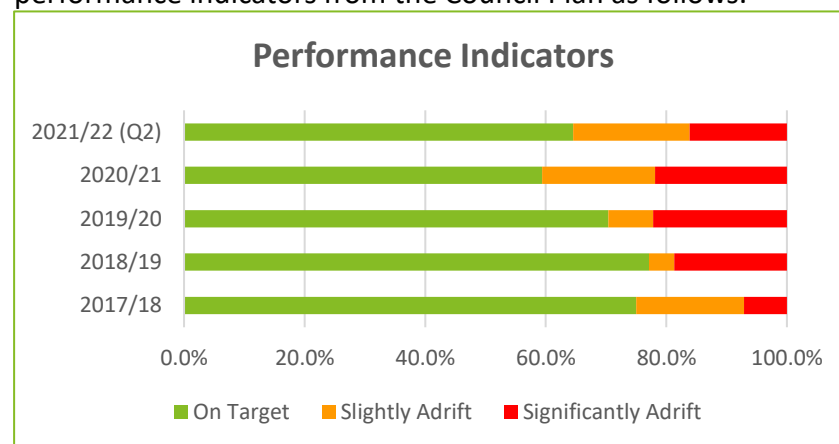
## Performance data

The Council has continued to report performance measures, in particular:

1. A Mid-Year Progress Report 2021/22 against the Council Plan was considered by the Audit and Scrutiny Committee in March 2022.
2. An analysis of the Council's performance within the Local Government Benchmarking Framework (LGBF) based on the 2019/20 data analysis was considered by the Cabinet in November 2021.

We have considered each of these below.

The Mid-Year Progress report 2021/22 has analysed the performance indicators from the Council Plan as follows.



# Value for money

## Performance data (continued)

At a high level, the Performance Indicators are showing a slightly better performance when comparing mid-year 2021/22 with the year-end 2020/21. Clear actions are in place in relation to those indicators that are adrift of target.

The update also confirms that all actions from the Council's Delivery Plan are either on target or slightly adrift at the mid-year point 2021/22 compared to 95.1% at year-end 2020/21.

The layout of the mid-year report has been refreshed to complement the Annual Performance Report layout to help ensure that it as reader friendly as possible. In addition:

- The "Key Highlights" sections are now named "Key Activities" to incorporate updates on areas where teams are experiencing challenges as well as positive outcomes.
- Summaries of overall Council Plan actions are included in the Performance Summary section. Sub-action detail is only included where a sub-action is causing an action to adrift of target.
- Summaries of Council Plan indicators and actions are presented as pie charts for clarity.

The LGBF 2019/20 Data Analysis, being the most recent data that is available, provided benchmarking data on 97 indicators covering a wide range of key service areas. Due to the large scope of the LGBF, not all indicators are priority areas for the Council so variation in performance is to be expected.

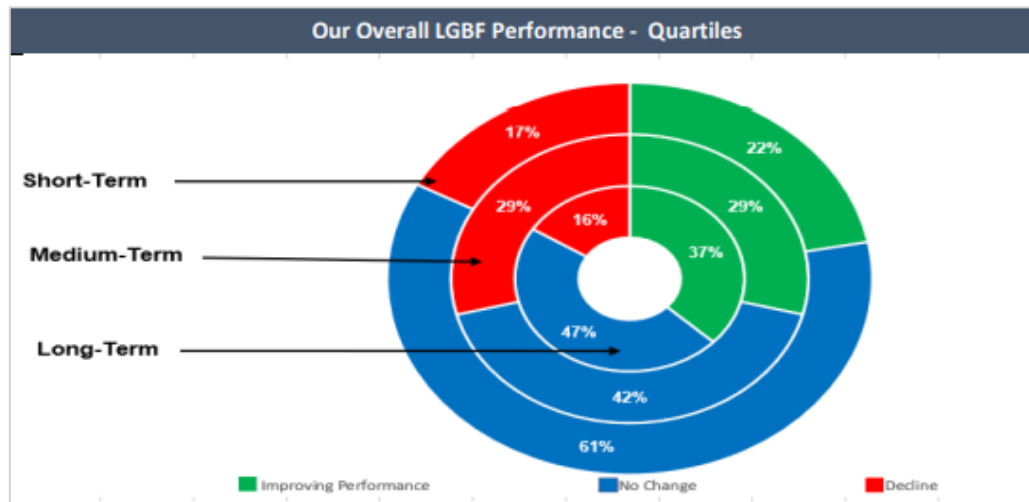
The report provided to Cabinet provides a summary of performance only as it was concluded that as the data relates to a period prior to the pandemic, as well as the subsequent delay in the release of the data, it would not be appropriate to detail improvement activity based on the 2019/20 performance. Directorates are using the information alongside learning from the pandemic to look at individual improvements at service level.

A summary of how North Ayrshire Council compares across all local authorities is shown on the next page. In the short term, 22% of indicators have improved their quartile, with only 17% declining. In the long-term, 84% of indicators have either improved or not changed their quartile.

# Value for money (continued)

## Performance data (continued)

### LGBF Performance



#### Deloitte view – Value for money

The Council continues to have a clear and robust performance management framework in place which has been enhanced in the year with the Performance Management Strategy and new Performance Dashboard. It has continued to report its performance against the priorities within the Council Plan and also against the LGBF, with clear actions in place to address indicators that are adrift of target.

The Council also continues to have robust arrangements in place to comply with the SPI Direction, including its public performance reporting requirements.

# Best value

It is the duty of the Council to secure **Best Value** as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the Council have made proper arrangements for securing BV.

## **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; AND
  - 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; AND
  - d) The need to make 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 an Council's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

2021/22 is year six of the extended six-year approach to auditing BV in councils. BV audit work is integrated with the annual audit and have worked closely with Audit Scotland's Performance Audit and Best Value ('PABV') team to plan, perform and report on the BV audit work.

A key feature of the approach to auditing BV is the Controller of Audit providing a Best Value Assurance Report ('BVAR') to the Accounts Commission for each Council once over the audit appointment. The BVAR for North Ayrshire Council was published in June 2020. This concluded that the Council has a number of arrangements in place to secure best value. We have followed up on the progress with the recommendations as part of the annual audit work, considering the pace and depth of continuous improvement. A summary of the progress against each recommendation is reported on pages 25 to 28.

Our BV audit work is integrated into our audit approach, including our work on the audit dimensions discussed on pages 5 to 23. 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 a comprehensive performance management framework.

The Council recognises that it must deliver services within the financial resources available and, as noted elsewhere in this report, and in common with other councils, continued work will be required to deliver long-term financial sustainability. it is positive to note that the development of the Sustainable Change Programme and the Recovery and Renewal Investment.

## **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.

# Best Value (continued)

## Best Value Assurance Report

We have assessed the Council's progress against each of the recommendations made, as summarised in the table below.

Recommendation – August 2020	2021/22 update
<p>The Council should fully develop and deliver detailed transformation plans to meet the current estimated funding shortfall. To achieve this, it should ensure sufficient arrangements are in place to support, monitor and deliver the expected outcomes. This includes:</p> <ul style="list-style-type: none"><li>• developing the transformation themes into projects and further developing the governance arrangements to ensure the council has the skills needed to;</li><li>• implement the next stage of transformation; and</li><li>• developing a robust benefits realisation tracker to assess whether the council has achieved its aims.</li></ul>	<p>The Transformation and Renewal Programme continues to be progressed. The broad outline of the programme was included in the Budget report to Council on 4th March 2021. The Governance structure which supports the programme is in place through Transformation Boards, aligned to the Council Plan themes of Inspiring Place, Aspiring Communities and A Council for the Future, as well as through the Executive Leadership Team. All the individual projects / activities have been assigned to individual owners and a new Sustainable Change Programme for 2022/23 and beyond (rather than Transformation and Renewal programme) was discussed by the ELT in November 2021 with further discussions in January 2022 prior to the start of the new financial year.</p> <p>A new monitoring framework to track progress has been developed. This provides a medium-to-long term (10 years) framework which is split across agreed budget programme activity (approved on 4th March 2021) and budget pipeline activity i.e. projects / activities which continue to be progressed and developed. The impact on how this activity addresses the anticipated budget gap is also reflected in the framework. Importantly, the framework also captures any workforce implications for delivery and also the full time equivalent impact of any anticipated savings as well as capturing the anticipated key outcomes.</p>

# Best Value (continued)

## Best Value Assurance Report (continued)

Recommendation – August 2020	2021/22 update
<p>The Council must evolve workforce planning across all services, and clearly align service workforce plans to the transformation projects, in order to:</p> <ul style="list-style-type: none"><li>• identify the numbers, cost and skills of the current and desired workforce; and</li><li>• effectively facilitate the transition from the current workforce composition to the desired workforce.</li></ul>	<p>Workforce planning discussions recommenced in 2021 and have been updated at six monthly intervals for the majority of services. These meetings ensure that workforce planning is aligned with challenges, service reviews and the transformation agenda. In addition, the monitoring framework for transformation has been implemented and includes workforce information linked to transformation activity. Heads of Service have two workforce planning meetings, Workforce Plan and Workforce Costs. The Workforce Plan covers the workforce demographics, transformation, PESTLE analysis and service review activity which helps shape the desired future workforce. The Workforce Costs meeting provides information on absence costs, overtime, vacancies etc. as well as key information that Heads of Service need to inform their planning in relation to their current and desired future workforce</p>
<p>The Council should work with locality partnerships to make clear what the intended impacts are of locality plans and make them publicly available.</p>	<p>Extensive work was undertaken in 2020 and 2021 on the refresh of locality partnership priorities. This led to five locality partnerships agreeing their ongoing priorities at their June 2021 meetings. A focus of this work was devising priorities which target local inequalities, as a result they are now clearer on the impact they want to achieve, e.g. Kilwinning moving from “traffic and parking” to “alleviating poverty and promoting equality of access to opportunities”. The Arran Locality Priorities are being assessed on the recent islands plan and LOIP community engagements.</p> <p>Once the plans to support each locality’s priorities are agreed, these will be published on the Community Planning website. This will add to the existing wide range of locality partnership information available such as meeting papers which include local progress updates, the current locality partnership priorities and impact summaries</p>

# Best Value (continued)

## Best Value Assurance Report (continued)

Recommendation	2021/22 update
<p>The Council should review its Public Reporting online portal, North Ayrshire Performs, to make it more user friendly and accessible.</p>	<p>The Council has replaced its North Ayrshire Performs portal with a new Performance Dashboard developed in-house by the Corporate Policy, Performance and Elections Team and launched on 28th February 2021.</p> <p>The dashboard provides a much more user friendly and accessible way for our residents to access our performance data. It reviewed the information available to ensure it is as concise and relevant as possible; that it contains a link to the LGBF Benchmarking Tool; and includes our contact details. It also ensured the layout is in line with our corporate and Annual Performance Reporting branding and can be updated with any changes.</p> <p>The dashboard is available from the performance pages within the North Ayrshire Council website <a href="http://www.north-ayrshire.gov.uk/performance">www.north-ayrshire.gov.uk/performance</a> and linked to within the six monthly Council Plan performance reports.</p> <p>Due to the innovative way the council is presenting its information, it has been approached by several councils in Scotland including Midlothian Council and Aberdeenshire Council as well as Lisburn and Castlereagh City Council in Northern Ireland, to provide demonstrations and advice. It has worked closely with the GIS and Analytics Team to provide support on more technical areas such as Power BI licensing and integrating Power BI with performance management systems. As the dashboard was developed in-house the Council has full control of its evolution and will continue to make improvements based on general feedback as well as learning from the informal network being established through our demonstrations.</p>

# Emerging issues

## Climate change

### Background

In our 2020/21 report, we set out a high level assessment of the work that the Council has done in relation to preparing for the impact of climate change against our baseline expectations. This concluded that climate change is clearly on the Council's agenda, recognised as a strategic risk and the Environmental Sustainability and Climate Change Strategy has set key targets to achieve net-zero carbon emissions across North Ayrshire.

In March 2022, Audit Scotland published a report [Addressing climate change in Scotland | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/publications/Addressing%20climate%20change%20in%20Scotland) drawing together the key themes identified across a range of published recommendations for Scotland and set out a high level summary of the key improvements that need to be made across the public sector if Scotland is to reach its climate change ambitions of a just transition to net zero and adapting to improve resilience to the effects of the global warming we are already experiencing. We have summarised each of these key themes below, along with the suggested actions. We recommend that the Council carry out a self assessment against each of these points and develop an action plan to help focus on where further work is required.

### Key themes

### Suggested actions

**Leadership** – public bodies should make responding to climate change a core value and key outcome.

Public bodies can lead the way through developing procurement framework and contracts with economic, social and environmental requirements and with developing and maintaining standards and regulations.

**Governance** – climate change plans need to have robust governance arrangements to ensure a clear approach to delivery which allows collaboration and integration and can address and resolve any conflicts between partners, priorities and policies. It also needs to support fast-paced changes to plans, technologies and policies.

Good governance ensures accountability and transparency. It requires:

- Monitoring, evaluating, reporting and verifying plans with clear timeframes;
- Feedback mechanisms to review how things work as they are being implemented;
- Processes for how projects will be upscaled and alternatives proposed where projects are not delivering what is expected; and
- Effective scrutiny, oversight and challenge by elected members and non-executive board members.



# Emerging issues (continued)

## Climate change (continued)

Key themes	Suggested actions
<b>Community empowerment to develop local solutions</b> – actions to address climate change could potentially have an unequal impact on some people and communities. Climate change should become a priority issue that public bodies and their partners engage with local communities on.	Incorporating climate resilience and net zero targets into existing local plans and initiatives, such as city and regional deals and participatory budgeting, will make it easier for public bodies to work with communities and support faster progress,
<b>Behavioural change</b> – clearer information on the environmental impact of people’s choices is needed for all of us to make informed decisions, particularly around sustainable diet, waste and travel.	<p>There is a need for clear plans to influence societal change and help people adapt to climate change and smooth transition to net zero.. Greener options need to be attractive in terms of quality and affordability.</p> <p>Public bodies should make efforts to sustain some of the changes in behaviours beneficial to emission reduction that emerged in the COVID-19 lockdowns, such as remote working, replacing business travel with videoconferencing and online collaboration, and broader lifestyle choices including more walking and cycling.</p>
<b>Alignment of policy and spend</b> – the type of leadership outlined on the previous page, would support the alignment of all policy and funding decisions. However, the challenge is significant.	<p><b>Policy alignment</b> – all policies should be reviewed individually and holistically to identify conflicts or incoherence with climate change ambitions and be amended as required. The complex landscape, and sheer number of strategies and plans that will play a part in delivering net zero and reducing the impacts of climate change makes this challenge harder at all levels of public sector.</p> <p><b>Alignment of spend</b> – budgets and spend (both capital and revenue) should align with climate change ambitions. Public bodies will also need to ensure all future funding and investment decisions are based on their contribution to climate change ambitions and an inclusive, net zero carbon economy.</p>

# Emerging issues (continued)

## Climate change (continued)

Key themes	Suggested actions
<b>Robust planning for net zero, mitigation and adaption</b> – robust cross-sector plans are essential, but experts recognise the challenge is colossal.	<p>As urgent action is required, climate change plans need innovative thinking to address the inherent tensions between doing things thoroughly and doing things quickly. Lessons could be learnt from the public sector’s response to the COVID-19 pandemic. Climate change planning needs to happen collaboratively, with a range of private and public sector bodies, third sector organisations, and communities, as well as simultaneously in different geographical areas. Climate experts should also be involved in planning.</p> <p>Plans should provide clarity in delivery and implementation with sufficient detail and clear timelines.</p>

# 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.

### 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 the audit of the financial statements and the other 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 | 13 May 2022

## Sector developments



# Local government in Scotland

## Financial overview 2020/21

---

### Background and overview

The Accounts Commission published its Local government in Scotland financial overview 2020/21 in March 2022. This covers the first full year that makes clear the impact of COVID-19. It also looks ahead to the medium-to-longer term financial outlooks for Councils.

---

### Key messages

#### Local government finances 2020/21

- The Covid-19 pandemic persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.
- When Covid-19 funding is excluded, there has been a real terms underlying reduction of 4.2 per cent in local government funding since 2013/14.
- The underlying increase in Scottish Government funding of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants. Ring-fenced funding helps support delivery of key Scottish Government policies but constrains a proportion of the total funding and resources and removes any local discretion over how councils can use these funds.
- Councils' income from customers and clients was affected by Covid-19 restrictions and fell by £0.5 billion.
- In 2020/21, all councils reported surpluses and increased their usable reserves. The total increase in reserves was £1.2 billion (46 per cent). This increase was mainly due to late Covid-19 funding, which was unspent at 31 March 2021.
- Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21, putting additional pressure on finance staff across councils.

#### Medium and longer-term outlook for local government finances

- Scottish Government capital funding to councils is expected to fall again in 2021/22.
- Uncertainty over the amount of funding available for Covid-19 recovery at the end of 2020/21 led to difficulties in setting budgets, and many councils established updated Covid-19 budgets in autumn 2021.
- Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

# Local government in Scotland (continued)

## Financial overview 2020/21 (continued)

---

### Key observations

**Reserves** – Most of the increase in the general fund is committed to Covid-19 recovery.

**Financial management and transparency** - Management commentaries in councils accounts have improved, but many are still not complying with previous recommendations on transparency

**Budgets for 2021/22** - The uncertainty over the funding position for Covid-19 at the end of 2020/21 led to issues in budget setting and many councils established Covid-19 budgets in autumn 2021

**Medium and long-term financial planning** - Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.

---

### Audit Scotland Recommendations

Elements of Covid-19 funding that are being carried forward in general earmarked and unearmarked reserves in the accounts should be clearly identified.

We recommend again that councils review and improve how they comply with these key expectations of transparency, in particular:

- Is the outturn against budget position for the year clearly shown, and are the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements, and are major differences explained?
- Is progress against agreed savings reported?

We expect councils to agree spending plans and timescales for Covid-19 recovery reserves with the relevant decision making committee.

All councils will now need to revise medium-term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions. Councils should also review longer-term planning as Covid-19 uncertainty diminishes.

---

### Next steps

The Council should consider each of the above recommendations and incorporate into plans where not already considered. The full report is available through the following link: [Local government in Scotland: Financial overview 2020/21 | Audit Scotland \(audit-scotland.gov.uk\)](https://audit-scotland.gov.uk)

# The future of infrastructure: A survey of infrastructure trends

Deloitte insights

---

## Background and overview

---

A new economic reality calls for infrastructure reimagined: more digital, more sustainable, more equitable. From broadband to bike lane's, Deloitte centre for government insight has asked experts how infrastructure will change. Some of the key highlights are summarised below, with the full article available here [Future of infrastructure | Deloitte Insights](#)

---

### The pandemic is shifting demand

- Many respondents expect more work from home, more broadband, and more transportation options. However, only 4% believe that there will be fewer people living in cities.

### Cybersecurity a top concern

- As government shift to more digital infrastructure, cyber risk becomes a concern. About 76% of global infrastructure leaders expect greater focus on data security over the next three years.

### Technology will reshape infrastructure

- Many respondents expect artificial intelligence, cloud computing, and cybersecurity to reshape infrastructure – a clear signal that infrastructure is going digital.

### Green infrastructure is in demand

- About 60% of respondents globally said that they plan to invest in urban places for walking, cycling, socialising and eating.

### Infrastructure's biggest obstacle? Talent

- Interestingly, respondents see talent shortage as a bigger obstacle to executing infrastructure projects than budget constraints or regulatory barriers.



Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2022 Deloitte LLP. All rights reserved.