



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, 01 June 2021 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. Where possible, the meeting will be live-streamed and available to view at <https://north-ayrshire.public-i.tv/core/portal/home>. In the event that live-streaming is not possible, a recording of the meeting will instead be available to view at this location.

1 Declarations of Interest

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

2 Minutes

The accuracy of the Minutes of the Meeting of the Audit and Scrutiny Committee held on 9 March 2021 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 External Audit Report on Audit Dimensions and Best Value for 2020/21

Submit report by the Head of Service (Finance) on the findings from the External Audit Report on Audit Dimensions and Best Value for 2020/21 (copy enclosed).

- 4 Accounting Policies 2020-21**
Submit report by the Head of Service (Finance) on the Accounting Policies to be adopted in preparation of the Council's Annual Accounts for the year to 31 March 2021 (copy enclosed).
- 5 Annual Governance Statement 2021-21**
Submit report by the Head of Service (Finance) on the Council's Annual Governance Statement for 2020-21 which will be included within the draft Annual Accounts (copy enclosed).
- 6 Internal Audit Reports Issued**
Submit report by the Head of Service (Finance) on the findings of Internal Audit work completed during March and April 2021 (copy enclosed).
- 7 Internal Audit and Corporate Fraud Action Plans: Quarter 4 Update**
Submit report by Head of Service (Finance) on the progress made by Council Services in implementing the agreed actions from Internal Audit and Corporate Fraud reports as at 31 March 2021 (copy enclosed).
- 8 Internal Audit Annual Report 2020-21**
Submit report by the Head of Service (Finance) on the work of Internal Audit during 2020-21 and an opinion on the governance, risk management and internal control environment of the Council (copy enclosed).
- 9 Corporate Fraud Team Annual Report 2020-21**
Submit report by the Head of Service (Finance) on the work of the Corporate Fraud Team during 2020/21 (copy enclosed).
- 10 Supporting North Ayrshire Together: Update on our response to the Coronavirus Pandemic**
Submit report by the Head of Democratic Services on our response to the Coronavirus pandemic (copy enclosed).
- 11 Growth and Investment Governance Framework**
Submit report by the Director (Growth and Investment) on North Ayrshire Council's internal governance arrangements for managing the Growth and Investment project development stages, including Ayrshire Growth Deal projects (copy enclosed).
- 12 Remote Access Controls: Education Network: Internal Audit Progress Update**
Submit report by the Executive Director (Communities and Education) providing an update on the Internal Audit Report Management Action Plan and the Digital Strategy Review (copy enclosed).

13 Economic Development and Regeneration Services Update: Seafield School, Eglinton Road, Ardrossan

Submit report by the Executive Director (Place) on the actions being taken in respect of the Former Seafield School, Ardrossan (copy enclosed).

14 Accounts Commission's Report: Local Government in Scotland: Financial Overview 2019/20

Submit report by the Head of Service (Finance) of the findings of the recently published Accounts Commission's Report on the Financial Overview 2019/20 of Local Government in Scotland (copy enclosed).

15 Urgent Items

Any other items which the Chair considers to be urgent.

Webcasting - Virtual Meeting

Please note: this meeting may be recorded/live-streamed to the Council's internet site, where it will be capable of repeated viewing. At the start of the meeting, the Provost/Chair will confirm if all or part of the meeting is being recorded/live-streamed.

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

If you are participating in this meeting by invitation, you are consenting to being filmed and consenting to the use and storage of those images and sound recordings and any information pertaining to you contained in the them live-streaming/recording or training purposes and for the purpose of keeping historical records and making those records available to the public. If you do not wish to participate in a recording, you should leave the 'virtual meeting'. This will constitute your revocation of consent.

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Audit and Scrutiny Committee Sederunt

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

Chair:

Apologies:

Attending:

At a Meeting of the Audit and Scrutiny Committee of North Ayrshire Council at 10.00 a.m. involving participation by remote electronic means.

Present

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

In Attendance

R. McCutcheon, Executive Director (Place); R. Arthur, Head of Communities (Communities and Education); E. Currie, Section 95 Officer (IJB)/Principal Manager (Finance) (Health and Social Care Partnership); and P. Doak, Senior Manager (Internal Audit, Risk and Fraud), D. Forbes, Senior Manager (Strategic Business Partner) (Finance), A. Fraser, Head of Democratic Services, and E. Gray and H Clancy, Committee Services Officers (Chief Executive's Service).

Also In Attendance

Karlyn Watt (Deloitte).

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 12 January 2021 were confirmed and the Minutes signed in accordance with Paragraph 7 (1) of Schedule 7 of the Local Government (Scotland) Act 1973.

3. Supporting North Ayrshire Together – Our Response to the Coronavirus Pandemic and Progress Report (Council Plan Progress Update – Quarter Two 2020-21)

Submitted a report by the Head of Democratic Services on the Council's response to date to the Covid-19 pandemic and performance against the Council Plan 2019-24 as at Quarter Two 2020-21 as set out at Appendix 1 to the report. Appendices 2 and 3 contained an update on the Council Plan Performance Indicators.

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

- the status of performance indicator CP_05 which had failed to meet its target in previous years but was not identified as an exception in the update provided due to the data not being published quarterly;

- the area of focus relating to preparations for the UK's withdrawal from the European Union; and
- the success of council officers and employees working collaboratively in the response to the pandemic.

The Committee agreed to (a) note (i) the performance of the Council Plan as at 30 September 2020; and (ii) the Council's response to the Covid-19 pandemic to date; and (b) receive a further update on the Council's response to the Covid-19 pandemic at the next meeting.

4. UK Withdrawal from the European Union (Brexit) Update Report

Submitted a report by the Head of Democratic Services on the current position regarding the UK's withdrawal from the European Union on 31 December 2020.

Members asked a question and received further information in relation to whether a significant number of North Ayrshire residents were expected to establish their settled status rights prior to the deadline on 30 June 2021.

Noted.

5. Internal Audit Reports Issued

Submitted a report by the Head of Finance on the findings of Internal Audit work completed during January and February 2021. Reports on internal audits carried out in respect of Building Services systems and fire safety procedures were set out at Appendix 1 to the report.

Members asked questions and were provided with further information in relation to the measures which were put in place to ensure that version control recommendations were implemented in terms of the Building Services systems audit and that established working practices were updated.

Noted.

6. Internal Audit and Corporate Fraud Action Plans: Quarter 3 Update

Submitted a 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 31 December 2020. Details of the five actions that were not completed within the agreed timescales were set out at Appendix 1 to the report.

The Committee agreed (a) to note the current position with the implementation of Internal Audit and Corporate Fraud actions; and (b) to challenge those Services that had not implemented actions within the previously agreed timescales.

7. External Audit Plan 2020/21

Submitted a report by the Head of Finance on the External Audit Plan for 2020/21. The Plan itself was set out at Appendix 1 to the report.

The Senior Manager (Strategic Business Partner) advised the Committee on the following two updates to the report:

- the Financial Implications section of the cover report had been updated for the revised 2020/21 Audit Fee which was confirmed as £310,320, a 2.6% increase from previous year; and
- the External Audit Plan had been finalised and therefore the 'Draft' reference would be removed.

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

- how Covid-19 related income, such as funding pots for dispersal, would be presented in the accounts and issues associated with this;
- the 2.6 % increase in the external audit fee and the contributing factors behind this; and
- the Council's continued contribution to Audit Scotland's Performance Audit Best Value staffing costs.

Noted.

8. April to September 2020 Complaint Report

Submitted a report by the Head of Democratic Services on the Council's complaint performance and the volumes and trends of complaints in the first six months of Financial Year 2020 as set out at Appendix 1 to the report.

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

- the accuracy of the complaint figures and reports from constituents that, as result of the pandemic, until January 2021 it was not possible to complain about a missed bin collection;
- the difference between reporting an issue and raising a formal complaint and how this might impact the figures reported to the Committee;
- whether any analysis had been carried out on the extent to which current working practices during the pandemic had resulted in complaints being raised; and
- whether there had been any complaints raised by business owners around the non-payment of support grants and the appeal process which would address issues outwith the Complaints process. Officers undertook to provide Committee Members with a briefing paper on this.

Noted.

9. Exclusion of the Public – Para 1

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

11. Investigation Reports Issued

Submitted a report by the Head of Finance on the investigation reports finalised since the last meeting.

The Committee agreed to approve the recommendations as set out in the report.

The meeting ended at 11.00 a.m.

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title: **External Audit Report on Audit Dimensions and Best Value for 2020/21**

Purpose: To inform the Committee of the findings from the External Audit Report on Audit Dimensions and Best Value for 2020/21.

Recommendation: That the Audit and Scrutiny Committee (a) notes the findings contained in the External Auditor's Audit Dimensions and Best Value report at Appendix 1; (b) notes the sector developments as outlined in the report; and (c) considers the verbal 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. 2020/21 is the fifth 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 2020/21 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 :

- has strong financial management arrangements;
- is financially sustainable in the short term;
- needs to develop detailed plans to bridge the medium and long term funding gap;
- has made good progress on Transformation;
- demonstrates strong leadership;
- has a clear and robust performance management framework; and
- has robust arrangements in place to secure Best Value.

1.4 The unaudited accounts for 2020/21 are due to be presented to Council on 23 June 2021 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 2021.

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. 2020/21 is the fifth year of this appointment.
- 2.2 A report on the Audit Dimensions and Best Value for 2020/21 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 sector developments designed to share research and best practice. These include the Independent Review of Adult Social Care in Scotland and the Scottish Futures Trust's report – New Frontiers for Smarter Working, Work and Workplace post COVID-19.
- 2.6 A summary of the key conclusions from the report include:

Financial Management

The Council continues to have strong financial management arrangements which are robust enough to manage financial activity and capture and address any financial challenges to the achievement of the financial targets.

Financial Sustainability

The Council is financially sustainable in the short term.

The Council has re-assessed its medium and long term financial planning to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. Detailed plans need to be developed to identify how the Council will bridge the projected funding gap over the medium and longer term.

The Council has made good progress on Transformation with the development of the Recovery and Renewal Strategy, the Renewal Programme and the Transformation Benefits Realisation Monitoring Framework.

Governance and Transparency

The Council continues to have strong leadership, demonstrated in the collaborative response to COVID-19, and exercises sufficient oversight and scrutiny of the Health and Social Care Partnership's activities.

Value for Money

The Council has a clear and robust performance management framework in place and has clear strategies in place for progressing the equalities agenda.

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 2020/21 are due to be presented to Council on 23 June 2021 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 2021.

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.

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 Deloitte LLP consulted with the Head of Service (Finance) and other Council Chief Officers 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**.

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 2021**

Issued on 24 May for the meeting on 1 June 2021

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

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.

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 2020/21 audit responsibilities. I would like to draw your attention to the key messages from this paper.

As discussed in our audit plan, the risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Council has responded to these risks.

Our overall conclusions on each dimension are summarised below, with full details provided in the main body of the report:

Financial Management

The Council continues to have strong financial management arrangements. The General Fund is projecting an underspend of £0.974m. While the Council continues to engage with COSLA and the Scottish Government in relation to the financial flexibilities available to address the impact of the COVID-19 pandemic, these are not expected to be used in 2020/21. We are pleased to note additional work was carried out by the internal audit team in relation to COVID-19 funding to check for duplicate payments in response to the increased fraud risk in this area.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements.

Financial Sustainability

The Council continues to have appropriate arrangements in place for updating the medium-term position as part of its annual budget process. Whilst the Council is anticipating a balanced budget for 20/21, this is in part assisted by the one-off non-recurring funding made available by the Scottish Government for COVID-19 related costs, which is expected to continue to be funded in 21/22. The refresh of the Long Term Financial Outlook ("LTFO") is also a positive step to enable the Council to manage the financial challenges that it faces and to make well-informed decisions which are aligned to Council strategic priorities. Post-pandemic recovery should continue to remain an area of focus for the Council.

The Council has continued to make good progress during 2020/21 with transformation. This includes updating of the Council Plan strategic priorities in line with the Renewal and Recovery Strategy, and the review and update of T3 transformation projects in response to the Renewal and Recovery Strategy to take into consideration the impact of COVID-19. In response to the BVAR recommendation, it is positive to see that the Council is developing a Transformation Benefits Realisation Monitoring Framework to provide greater oversight of the transformation activities and the linkages with the budget, Medium Term Financial Strategy ("MTFS") and LTFO.

Introduction (continued)

The key messages in this report (continued)

Financial Sustainability (continued)

In response to the BVAR recommendation, it is also positive to see that a Future Working Environment project is underway as part of the Council's Recovery and Renewal activity, building on the results of staff surveys which indicate a strong appetite for remote working arrangements and improving links between workforce planning and the Council's transformation.

Governance and transparency

The Council continues to have strong leadership and the transition of the new Heads of Services during the year went smoothly with all appointments made internally following appropriate recruitment exercises. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners.

In line with our previous year's conclusions, the Council continues to be open and transparent. The North Ayrshire Integration Joint Board ("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.

The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing, however, we are satisfied that there are plans in place to carry out a comprehensive review of the Medium Term Financial Plan ("MTFP") and strategic commissioning plan during 2021 and 2022.

Value for money

The Council continues to have a clear and robust performance management framework in place through the Local Outcomes Improvement Plan 2017-2022 ("LOIP"), which includes performance measures aligned to the National Performance Framework. This also includes arrangements to comply with the new SPI Direction.

We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery. This should also continue to focus on reducing inequalities in North Ayrshire through the Equality Outcomes plan 2021-25.

Best value

The Council has robust arrangements in place to secure best value and has a clear understanding of areas which require further development. We have considered the Council's arrangements for best value and response to the best value audit report ("BVAR") on pages 31 to 33.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Council on pages 37 to 39 of this report.

In particular, we followed up on our previous high level assessment of where the Council is in its response to the Climate Change Agenda, discussed on page 34 and 35.

Next steps

An agreed Action Plan is included on pages 32 to 33 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 2021/22 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, we have included our "sector developments" on pages 37 to 39 where we have shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB

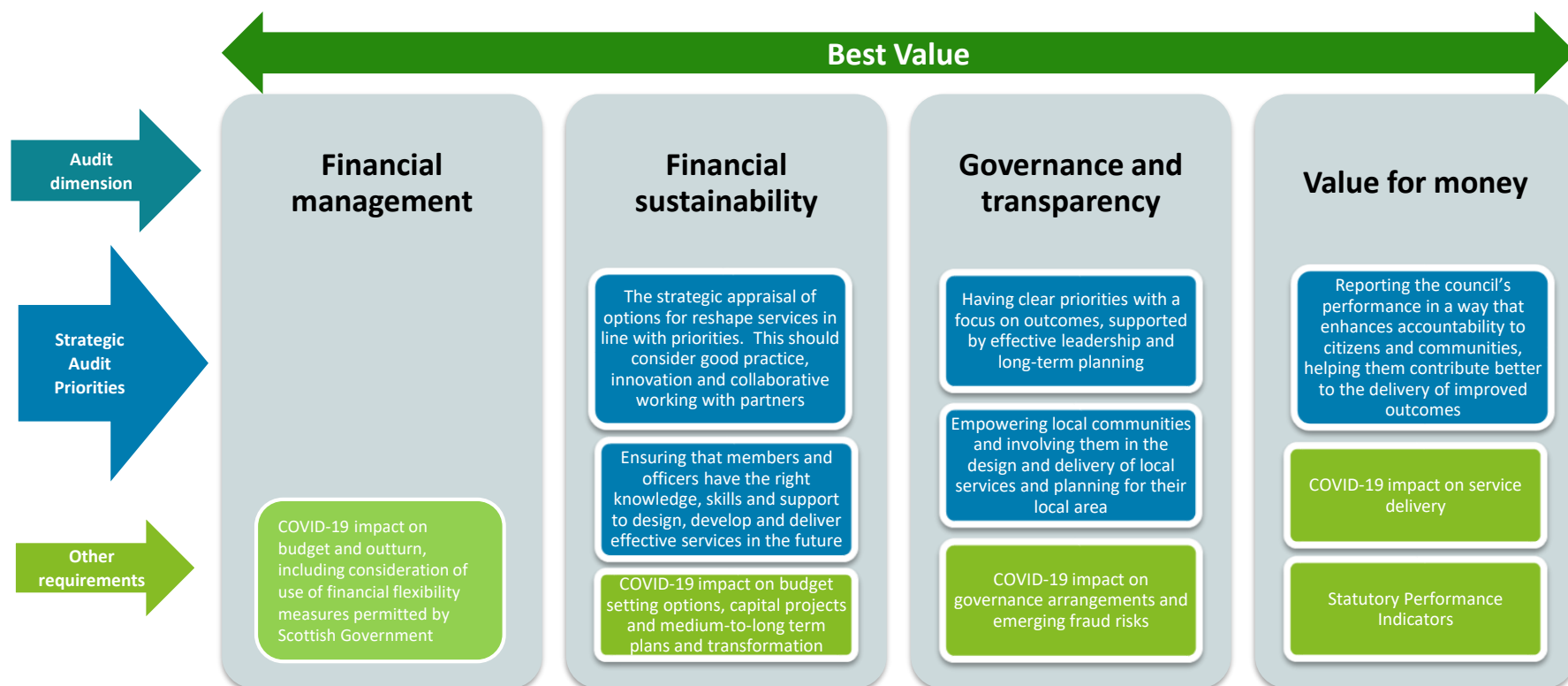
Audit Dimensions and Best Value

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 **Statutory Performance Information** Direction.

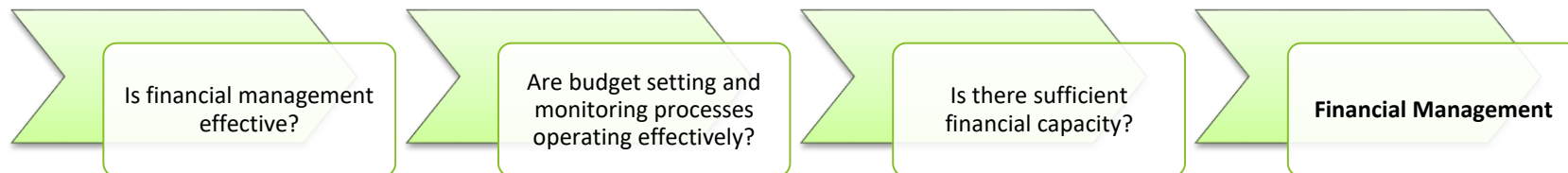
The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focussed on how the Council has responded to these risks.

In recognition of the demands on auditors' time and the challenges of remote auditing, the Commission agreed that auditors are not required to specifically consider and report on the SAPs as part of the 2020/21 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

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



Areas considered

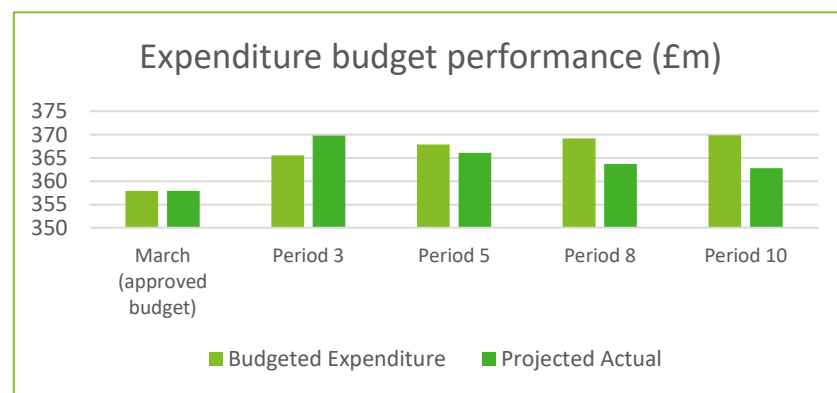
Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to financial management, we would continue to review the Council's financial management arrangements. In addition, we also identified the following risk:

"Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal control change. In accordance with Audit Scotland planning guidance, we will consider fraud as a particular focus area in 2020/21."

Current year financial performance

2019/20 conclusion: The Council continued 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.

2020/21 update: The **General Fund** budget of £357.928m was approved by the Council on 5 March 2020. This includes use of earmarked reserves of £0.548m on a non-recurring basis to balance the budget. It has been updated throughout the year to include in-year movements and the latest projected position is a net underspend of £0.974m against a revised budgeted of £369.880m.



The key reasons for the projected underspend are

- **Chief Executive** – Overspend of £0.270m due to updated projections in relation to Housing Benefits and under recovery of income, partly offset by vacancy management savings across the service.
- **Communities** – Underspend of £0.479m is primarily due to the delayed implementation of the expansion of Early Learning and Childcare, partly offset by the additional support offered to North Ayrshire Leisure Limited.
- **Place** – Overspend of £0.998m primarily related to the under recovery of income partly offset by reduced expenditure linked to COVID-19 restrictions.
- **Other Corporate Items** – Underspend of £7.904m primarily due to additional COVID-19 support funding of £6.640m.
- **IJB** –£5.812m of additional COVID-19 Support funding has been allocated by the Scottish Government during 2020/21 for use future years and will be carried forward to 2021/22.

Financial management (continued)

Current year financial performance (continued)

Scottish Government non-recurring COVID-19 funding has been confirmed for 2020/21 as £29.403m for 2020/21 and a further £6.731m for 2021/22. This includes funding for vulnerable families, funding to meet the costs of the Education recovery, and other funds to help to address financial pressures associated with the pandemic.

The Council has noted that local authorities continue to engage with 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 on both the revenue and capital accounts. Based on the draft guidance, the Council has concluded that the medium term benefits are limited and anticipates that these measures may be more effectively used to offset potential legacy cost and income pressures in future years. Given the projected underspend position, there are currently no plans to use these flexibilities in 2020/21.

The **Housing Revenue Account (HRA)** budget, agreed by the Council on 18 December 2019, is projecting a full year underspend of £3.473m. 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 £2.577m underspend in property costs, which is largely due to COVID-19 restrictions which have restricted the repairs and maintenance work that could be completed during the year.

We have assessed the processes in place for allocating costs to the HRA and determined that there are specific rules on the allocation of costs to the HRA. In particular, central support costs are allocated based on the underlying drivers, for example the percentage of time spent on internal audit work, information governance and communications. Staff costs in relation to the Director and Head of Service are apportioned on a consistent basis. A robust and consistent process is therefore in place to ensure compliance with all legal requirements.

The Council has an ambitious long-term **10-year capital programme**, as discussed further on page 15. Progress against this plan is reported regularly to Cabinet.

A summary of the original and revised budgets and projected outturn for the general services and HRA capital investment programmes ("CIP") is provided in the table below.

	General Services (£'000)	HRA (£'000)
Original budget	65.388	68.448
Revised budget	38.834	43.891
Projected outturn	38.746	44.100
Projected underspend	0.087	0.209

The significant change from the original budget is 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 most significant areas of capital expenditure for 2020/21 include:

- **General services** – Communities, relating primarily to spending on schools totalling £18.437m;
- **General services** – Road improvement of £9.016m; and
- **HRA** – Council house building programme £31.377m.

2020/21 conclusion: The Council continues to have effective financial planning and management arrangements in place. The projected general fund and HRA position are expected to be largely in line with the original budget, with the projected outturn clearly reported throughout the year, along with regular progress on the capital programme. The impact of COVID-19 on the financial position has been clearly reported.

Financial management (continued)

Savings plans

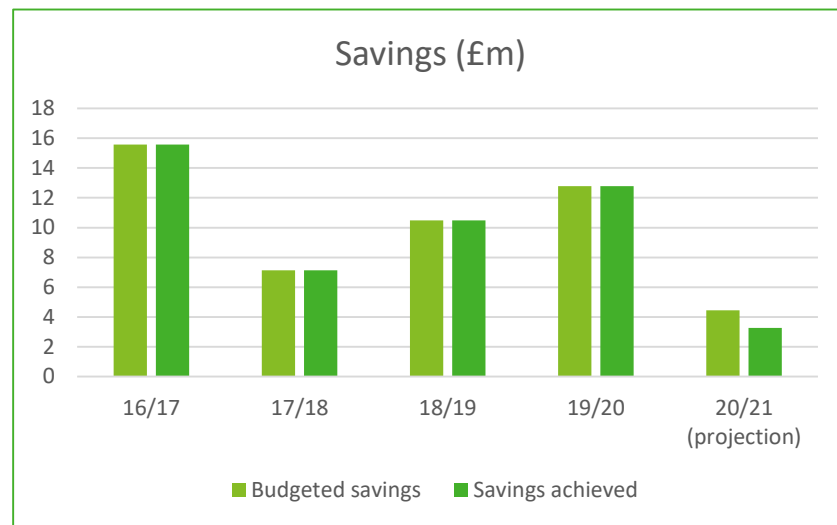
2019/20 conclusion: The savings targets set by the Council have increased in comparison with previous years reflecting the financial challenges faced by the Council and need to continually deliver recurring reduction in costs. It is positive to note that whilst the targets are increasing, these have largely been achieved.

2020/21 update: The approved 2020/21 budget (highlighted in the chart to the right) included savings plans of £4.439m. Progress against this target was closely monitored through monitoring reports to Cabinet. The Council is forecasting that the majority of these savings will be achieved, with the exception of a few areas totalling £1.169m, which are largely impacted by COVID-19. COVID-19 funding from the Scottish Government is confirmed, and it is forecast that these remaining savings actions will be fully implemented following the end of current COVID-19 restrictions and that there will be no recurring impact on the delivery of future savings or the transformation programme. Examples of areas impacted include:

- Delays in the implementation of 1140 hours provision within Early Learning and Childcare;
- Planned savings linked to property rationalisation; and
- Other minor shortfalls due to COVID-19, such as in relation to reviews of the Additional Support Needs, Music and Education Psychology services and capital programme design work.

The chart to the right demonstrates that savings targets have decreased year-on-year but that these are realistic savings as demonstrated by the fact that these have been achieved in each year.

2020/21 conclusion: The savings targets set by the Council have decreased in comparison with previous years and the latest projections anticipate falling short of the targeted savings of £4.439m as a result of COVID-19. Whilst the full targeted savings won't be achieved for the year, compensatory savings have been identified in year. In addition, COVID-19 non-recurring funding from the Scottish Government has been confirmed. It is important that robust plans are put in place to ensure savings plans are achieved in future years.



Financial reporting

2019/20 conclusion: The Council continued to have strong financial management arrangements in place. This was consistent with the conclusions from the BVAR report which concluded effective financial management arrangements are in place.

2020/21 update: The Council approved its 2020/21 budget on 5 March 2020. 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.

2020/21 conclusion: The Council continues to have strong financial management arrangements in place with timely reporting.

Financial management (continued)

Financial capacity

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 transitioned smoothly.

2020/21 update: 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.

2020/21 conclusion: The Council continues to have a sufficiently qualified and experienced finance team to support the financial management of the Council.

Internal audit

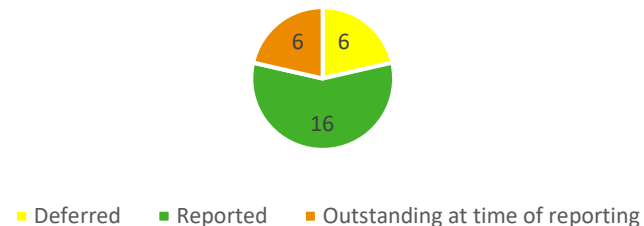
We have assessed the internal audit function, including its nature, organisational status and activities performed. We have also carried out a review of the internal audit reports published throughout 2020/21. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work.

The 2020/21 Internal Audit Plan was approved by the Audit and Scrutiny Committee on 27 March 2020. The plan comprised 28 separate audits and a total of 621 audit days for the year. Regular progress reports have been reported to the Audit and Scrutiny Committee throughout the year. The status of the internal audit plan is summarised to the right.

Of the 16 internal audits completed to date, it is positive to note that 10 reports contained substantial assurances and 5 reports contained reasonable assurances, with only 1 containing limited assurance relating to "Remote Access Controls Around the Education Network".

The primary impact of COVID-19 on the internal audit team has been the inability to attend sites of the planned work, which has resulted in 6 projects being deferred to 2021/22. Good progress has been made in implementing recommendations raised by internal audit.

Internal Audit Plan 20/21 Overview



We will also 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 2021.

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 to be designed and implemented appropriately.

We are particularly pleased to note that in response to the increased risks as a result of COVID-19 funding, a data matching exercise was carried out on a pan-Ayrshire basis through the internal audit team to check for duplicate payments.

Our responsibilities under International Standards of Auditing have changed in the year and require specific reporting on irregularities. We will therefore continue to monitor the effectiveness of the Council's arrangements in place ensuring they are designed and implemented effectively, and will report on this in our independent auditor's report in the Annual Accounts.

Financial management (continued)

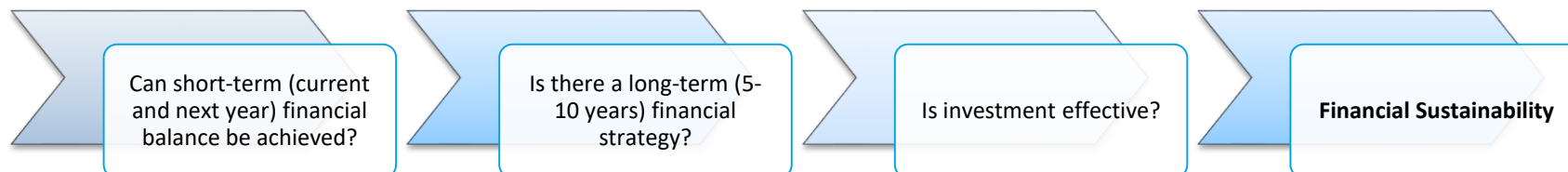
Deloitte view – financial management

The Council continues to have 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 is projecting an underspend of £0.974m. While the Council continues to engage with COSLA and the Scottish Government in relation to the financial flexibilities available to address the impact of the COVID-19 pandemic, these are not expected to be used in 2020/21.

The capacity of the finance team has remained consistent during the year and is sufficient to support the Council's financial management arrangements. The internal audit programme has been impacted to a limited extent due to the COVID-19 pandemic. Of particular note is the additional work carried out in relation to COVID-19 funding to check for duplicate payments in response to the increased fraud risk in this area.

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 that the Council had recently updated its estimate of its funding shortfall, which is now £120m over the next ten years, with a £40m gap over the next three years. We concluded that:

“There therefore remains a significant risk that robust long term planning arrangements are not in place to ensure that the Council can manage its finances sustainably and deliver services effectively, identifying issues and challenges early and act on them properly.”

Budget setting

2019/20 conclusion: The impact of COVID-19 on the ability to achieve short term financial sustainability presents a risk to the Council. We concluded that 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.

2020/21 update: The Council approved a balanced budget of £365.296m for 2021/22 on 4 March 2021. This incorporated an initial budget gap of £0.490m for which a detailed savings plan have been developed. The 2021/22 budget includes a draw on reserves of £0.862m on a non-recurring basis.

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

- Risks associated with the achievement of the 20/21 budget, largely linked with COVID-19, which could have consequences for the 21/22 budget;
- Financial Environment – Funding not keeping pace with cost of service delivery;
- Financial Sustainability of the Health and Social Care Partnership (“HSCP”); and
- Delivery of the Transformation and Renewal Programme to address projected future budget deficit.

The latter three risks are also included in the Council’s Strategic Risk Register. Risk ratings have also been assigned to each savings plan to support the target of £0.490m, with two of the areas highlighted as low risk and the other two as medium risk.

Because the settlement agreed by the Scottish Government has been for only one year this has relieved some of the pressure in making difficult decision which would have been made if there was a three year settlement. As part of the budget paper, the Council has noted that in relation to the Scottish Government settlement funding for income loss recovery scheme, the overall support allocation due to be distributed to local authorities has increased from £90m to £200m. Although this has yet to be distributed it will include funding to support Arms-Length Organisations. Based on the current forecast 2020/21 position this funding will be required to support the ongoing impact of the pandemic on income streams in 2021/22.

Financial sustainability (continued)

Budget setting (continued)

As noted on page 8, the range of financial flexibilities available to address pressures is still being discussed with CoSLA and the Scottish Government. The Council has noted that based on the draft guidance, the medium term benefits to the Council are relatively limited. It will continue to monitor the potential benefits as the guidance is developed and will seek Council approval for the use of such flexibility to meet COVID-19 related pressures should this need arise through 2021/22.

The impact of the UK's withdrawal from the EU is not specifically referred to within the 2021/22 budget. However, there have been regular reports to the Audit and Scrutiny Committee throughout the year. An "EU Exit Preparedness Group" is in place whose remit includes establishing information on likely impacts on service delivery resulting from different EU exit outcomes. The latest report acknowledges that the short-term risks have substantially reduced with the agreement of the Deal, and that the long-term economic impact remains the key risk for the Council. This is reflected in the Corporate Risk Register.

Elected members were fully involved in the budget process in advance of the formal budget setting meeting. This included comprehensive budget sessions in December 2020 and February 2021 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 2023/24 and considered the corresponding workforce and capital programme implications.

The Council also carried out a virtual programme of engagement through November and early December across each locality with community representatives. Feedback from these sessions was then used to help to shape the transformation and renewal programme (discussed further on pages 18-19).

The main areas of feedback from the community engagement included:

- The benefits in a locality based approach to community hubs support and services;
- Need to address food insecurity for vulnerable families and citizens;
- The specific impact of the pandemic on children and young people;
- The importance of the outdoors and physical environment for health and wellbeing;
- Digital support and connectivity;
- Council staff, services and future ways of working; and
- Health and Social Care at home.

There was also participatory budget engagement through the Council's website using open source software.

2020/21 conclusion: The Council has set a balanced budget for 2021/22 and has a robust budget setting process in place, including consultation with elected members and communities.

The Council has recognised that there remains a risk to achieving short-term financial sustainability, particularly the impact that COVID-19 could have on 2021/22 and the risk that funding does not keep pace with demand for services. It is critical that the work on transformation and renewal, as discussed in more detail on pages 18-19, is progressed to reduce this risk.

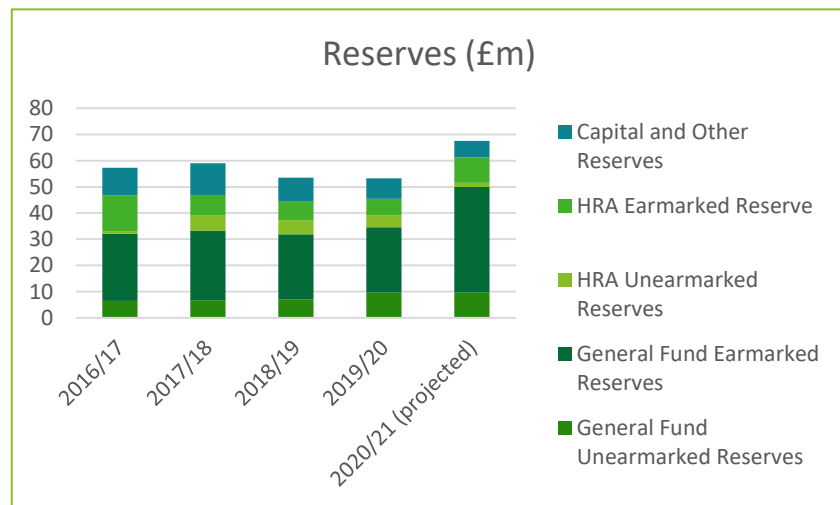
Financial sustainability (continued)

Reserves

2019/20 conclusion: The reserves held were at an acceptable level. The impact of the COVID-19 pandemic is having a significant impact on the Council. We noted that the Council was planning to re-assess the 2020/21 budget, and would expect the reserves balances to be considered as part of this review.

2020/21 update: At the time of approval of the 2021/22 budget and MTFP on 4 March 2021, 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 2021 is illustrated below:



As noted on page 7, the Council is projecting an underspend in 2020/21 and therefore is not requiring to use reserves. The unearmarked general fund reserve is therefore projected to remain consistent with 2019/20 at £9.659m. This represents 2.7% of budget and is in line with the Strategy.

The Council has used reserves in setting its budget over the last few years. This has included a reduction in unearmarked reserves each year, the release of earmarked reserves no longer required, and the application of in-year underspends. Use of reserves provides a temporary solution but it is recognised that more sustainable approaches are required. As noted on page 12, as part of setting the 2021/22 budget, £0.862m of unearmarked general reserves have been released to support the budget.

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

- **Project specific funds (£11.196m)** – these have been carried forward from 2020/21 to allow completion of specific projects
- **Prudential Investment Fund (£4.230m)** – these are resources to smooth the revenue implications of loan charges supporting the Capital Investment Programme
- **Change and Service Redesign Fund (£2.917m)** – this is to support delivery of transformation and renewal activity
- **Investment Fund (£9.950m)** - as noted in our 2019/20 annual audit report, the Council had previously set aside £8.8m as an Investment Fund to support Community Wealth Building activity, deliver sustainable investment in the environment and support the economy. As part of agreeing the 2021/22 budget, a further £1.4m has been approved for committing to the Investment Fund, targeted towards renewable energy developments and explore further Community Wealth Building opportunities across the Council's land and property assets.

2020/21 conclusion: The current reserves held are at an acceptable level, albeit towards the lower end of the Reserves Policy range, at 2.7%. While the reserves balance is projected to increase, the majority is earmarked for specific purposes. It is positive to note the increased commitment to the Investment Fund to support sustainable investment.

Financial sustainability (continued)

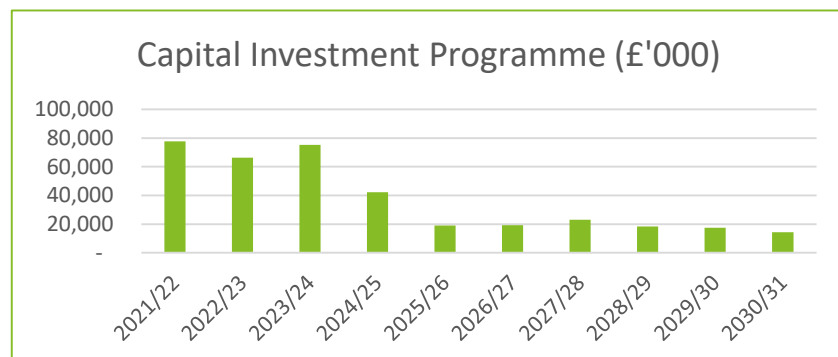
Capital planning and treasury management

2019/20 conclusion: The capital planning process clearly aligned 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

2020/21 update: The Council updates its 10-year CIP on an annual basis as part of its budget setting process. The latest long-term capital programme covers the long-term period of 2021/22 to 2030/31. As part of setting the CIP, the Council has also updated the Capital Investment Strategy (CIS). The CIS provides the overarching framework of the Council's approach to the asset management principles. In 2020/21, the Council has expanded its programme to include the Ayrshire Growth Deal and Community Wealth Building principles.

As noted on page 8, the Council has demonstrated a history of managing its capital programme. However, during 2020/21, COVID-19 has had a significant impact on the capital programme.

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 £219.5m. This includes re-phasing of the 2020/21 programme as a consequence of the COVID-19 pandemic restrictions, totalling £32.993m.



The HRA capital programme is also updated annually as part of the annual report of the HRA Business Plan. In December 2020, the Council approved £109.756m HRA capital expenditure for 2021/22 and a further £55.612m for future years. Similar to the CIP, the 2020/21 HRA capital programme has experienced delays due to the COVID-19 restrictions on the construction industry, resulting in a significant decrease in-house building, from a planned programme of 341 council homes to actual completion of only 16. The 2021/22 programme has been updated to reflect these delays.

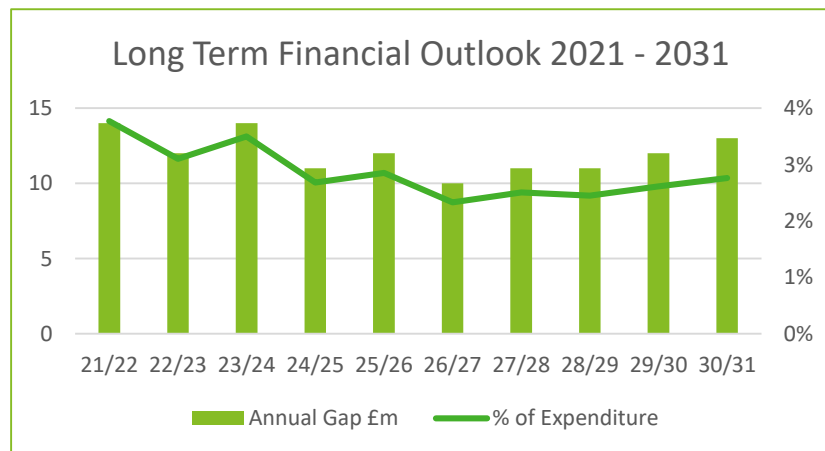
2020/21 conclusion: The capital planning process clearly aligns investments with Council priorities and the Council has a history of managing its capital programme. Given the scale of the programme over the next 10 years, it is imperative that the Council has strong project management and governance arrangements in place over the projects involved, particularly in light of the impact that COVID-19 is having on the construction industry.

Financial sustainability (continued)

Medium-to long-term financial planning

2019/20 conclusion: We concluded that it was positive to note that the Council continuously revisited 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. 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.

2020/21 update: The Council has updated its 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 has identified a funding shortfall of £120m over the next 10 years. This compares 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.



The £120m funding gap is based on the following key assumptions:

- Workforce costs, which includes future pay settlements estimated to increase by 3.0% each year.
- Increases to Non-Pay as a result of inflation and contractual commitments.
- Significant socio-economic and demographic pressures as a result of an ageing population, increased demand for adult services, and increased demand for vulnerable children and young people.
- Scottish Government core grant funding annual decrease of 1%, based on a trend based on the past 3 years.
- Annual increase to Council Tax of 3.0%.

Sensitivity analysis has also been considered in the LTFO, by flexing several of the above assumptions by +/-1% including Council Tax, Scottish Government funding and the workforce assumption. The LTFO makes a general assumption that any incremental financial impacts of COVID-19 will continue to be fully funded by the Scottish Government.

The Medium Term Financial Outlook ("MTFO") for the period 2021/22 to 2023/24 draws on the same data and projections as the LTFO and has identified a number of specific financial challenges in relation to the availability of Scottish Government funding, the impact of demographic changes and other demand and cost pressures and the strategies available to address the resultant funding gap. This has identified a gap of £40m over the next three years, which must be addressed as part of the MTFP.

In setting its 2021/22 budget in March 2021, proposals were included for future years in relation to the MTFP, resulting in a balanced budget being set for 2021/22 and a remaining gap of £4.424m and £8.440m for 2022/23 and 2023/24 respectively. No specific plans have been defined yet to bridge the funding gaps for 2022/23 and 2023/24.

Financial sustainability (continued)

Medium-to long-term financial planning (continued)

We have considered the updated assumptions used, which have resulted in the reduced gap for 2021/22 to 2023/24 and concluded they are reasonable and based on available data, including:

- 0% increase in Council Tax in 2021/22 and 3.00% increase in 2022/23 and 2023/24;
- Scottish Government core grant funding movements – 0.84% increase for 2021/22 and 1% decrease for 2022/23 and 2023/24.
- Previously approved savings totalling £2.747m for the next three years.
- Additional expenditure requirements totalling £23.031m for the next three years.

Whilst the impact of EU withdrawal has not been considered in setting the MTFS, it is reflected as a risk in the Council's Strategic Risk Register and acknowledged as a factor that will hamper the Council's economic recovery and is referred to throughout the LTFO. As discussed on page 13, the Council has an EU Exit Preparedness Group to consider and provide regular updates to Cabinet on the potential impacts of Brexit.

In response to the impact of COVID-19, the Cabinet approved a Financial Recovery Plan in September 2020, which specifically considered the recovery options for returning financial balance for 2020/21. As part of this, the Council approved to provide additional cash flows totalling £2.743m to North Ayrshire Leisure Ltd to ensure they continue as operate as a going concern. The impact of COVID-19 has also been incorporated into the 2021/22 budget and the MTFP. Most of the consideration is in relation to 2021/22 in terms of the financial flexibilities and additional non-recurring funding that the Council are anticipating to receive.

2020/21 conclusion: It is positive to note that the Council has res-assessed the LTFO, MTFO, annual budget and MTFP to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. It is also positive to note that the 10 year funding gap has reduced slightly from that previously estimated in 2017. However, the cumulative funding gap of £120m over the next 10 years, with £40m over the next three years, remains a significant risk. It is also recognised that the long-term impact of COVID-19 is not yet known. Details plans need to be developed to identify how the Council plan to bridge this gap. As discussed further on page 19, we are pleased to note that work is progressing with the transformation and recovery and renewal programmes.

Financial sustainability (continued)

Transformation strategy

The Transformation Plan (“T3”) was aligned with the Council Plan 2019-24, so that reporting on the Council Plan also reports on progress against the Transformation Plan. T3 was built around 5 strategic themes:

1. Digital Services
2. Caring for People
3. Children and Young People
4. Travel and Transport; and
5. Land & Property.

These all link back to the Council Plan’s strategic priorities: Aspiring Communities, Inspiring Place, and A Council for the Future. In turn, the LTFO and MTFS both link back to the Council Plan.

As part of the Recovery and Renewal Strategy, which was approved by Cabinet in September 2020, the Council has re-evaluated the transformation activities within T3 to create a new **Renewal Programme**. The Recovery and Renewal Strategy identified the following additional opportunities in response to COVID-19, which have been considered when updating the Renewal Programme:

- Working at home/remotely;
- Remote and hybrid meetings;
- Accelerate capital spend through a Community Wealth Building approach;
- Ayrshire Growth Deal; and
- New paths/cycle paths/pedestrianised areas due to an increase in walking and cycling.

The Recovery and Renewal Strategy also acknowledges the inter-dependencies between the Council Plan and the LOIP. This recognises that:

“the rapid response to the crisis, to protect those most in need, wouldn’t have been possible without partnership working between internal services and external partners. This includes, but is not limited to, the National Health Service (NHS) Scotland, Police Scotland, Caledonian MacBrayne, Third Sector Organisations, community groups, volunteers and private sector businesses.”

Within the Renewal Programme there are specific projects within each strategic theme with owners and clear timescales. A comprehensive “one page” schedule has been developed for each project, the contents of which are summarised below. By including this level of detail, there is a clear link to the budget and MTFS, and allows the Council to measure how transformation is translating into savings and efficiencies which are reported through the quarterly financial monitoring reports.

Contents of Transformation “one-page” schedule:

- Overall status of project – Green/ Amber/ Red
- Key dates
- Project update
- Risk management considerations
- Project funding information, including budgets and actions
- Forthcoming milestones

In recognition of the significant work required in the recovery and renewal stage of the COVID-19 pandemic, the Council appointed a Head of Services (Recovery and Renewal) in May 2020 for a period of 18 months to drive forward the transformation work.

Financial sustainability (continued)

Transformation strategy (continued)

In response to the recommendation made as part of the BVAR report in 2020, the Council has developed a comprehensive Transformation Benefits Realisation Monitoring Framework to capture at a Corporate level the entire programme covering Transformation Projects, Renewal Projects, Business Improvements, Disinvestments, Alternative Funding/Revenue Generation and Digital Programmes. The framework is expected to enable and facilitate the monitoring and management of the following key transformation project information. The aim is to set up this framework using Power BI to facilitate automation of the reporting process.

Benefit realisation tracker

- project status
- benefits (financial and non-financial)
- financial savings
- environmental impact
- impact assessments
- additional resources required to support the project
- links to Strategic Transformation themes and Renewal Principles
- medium-long term financial forecast savings (up to 10 year ahead) and
- the impact on workforce planning

A revised set of governance arrangements has also been agreed around not only the Benefits Realisation Monitoring Framework but Transformation in general, as summarised opposite incorporating the Chief Officers Leadership Team (COLT), the Executive Leadership Team (ELT) and Directorates.

In addition to the Recovery and Renewal Strategy, the Cabinet has also approved an approach economic recovery and renewal. This sets out the Council's approach to working with partners, including their local businesses and communities, to build back their economy better, fairer and greener. This approach focuses on the Council's priorities of Community Wealth Building and climate change, and within these the need to create an inclusive local and regional economy. Central to the achievement of economic recovery is the earmarked Investment Fund as discussed on page 14.

The Community Wealth Building (CWB) Strategy was approved in May 2020 and is embedded into the Recovery and Renewal Strategy. In finalising the CWB Strategy, a number of other anchoring institutions have signed on including South Ayrshire Council, East Ayrshire Council, NHS Ayrshire and Arran, Police Scotland, Scottish Fire and Rescue Service, Ayrshire College, Scottish Enterprise, and The Ayrshire Community Trust.

2020/21 Conclusion: The Council has continued to make good progress during 2020/21 with transformation, in particular the development of the Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic. We are also pleased to note that a comprehensive Transformation Benefits Realisation Monitoring Framework has been developed, as recommended in the BVAR audit report, and a clear set of governance arrangements are in place. It is important that this is fully embedded and actively used as the Renewal Programme is implemented. It is also critical that the projects within the Renewal Programme are progressed at pace given the financial challenges faced over the medium and longer term.



Financial sustainability (continued)

Workforce planning

2019/20 conclusion: Not specifically reported on within our 2019/20 report.

2020/21 update: There is currently a “Future Working Environment” project underway as part of the Council’s Recovery and Renewal activity. This transformation project is focussing on the impact the pandemic has had on ways of working across the organisation and how this impacts on the future working environment model. Workforce planning and succession planning will continue to link to this and Services are focussed on harnessing the benefits that have been identified as well as employee wellbeing.

The work on “Future Working Environment” has been supported by some initial discussions with the workforce, including surveys. Some key highlights from the surveys were:

- Response rate was very high at 95.5% (out of approximately 1,100 staff surveyed);
- 82% like working from home;
- 86% want to continue with remote meetings;
- Less than 5% want to go back to how it was before – 5 days per week in the office.

Other findings from the survey include:

- 79% identified that reducing the carbon footprint was a benefit;
- 82% saved time and money on travel;
- 73% highlighted they had more time to concentrate on tasks; and
- 67% had a better work life balance.

Further to the staff survey, all Heads of Service were asked to provide their thoughts on how this new way of working could be delivered in a post COVID-19 world. This has indicated a strong view towards a blended approach to service delivery in terms of the time staff spend between working in the office and working remotely.

In response to the BVAR recommendation where it was recommended that the Council must evolve workforce planning across all services, and clearly align service workforce plans to the transformation projects, a Project Board and Project Team is now in place to take this initiative forward.

The Project Team has representatives from all Council services (HR, Finance, Sustainability, Transformation, Economic Development, Health & Safety, Health & Social Care Partnership, Communities, and Property Management & Investment) to ensure there is a collaborative approach. The Project Board is also cross service and includes two Trade Union representatives to ensure there is a joined up approach and to improve communication between all parties.

	2019/20	2020/21	Change (%)
Sickness absence - YTD FTE	8.26	5.62	-32%
Sickness absence - cost (£000)	806	486	-40%

The above table shows that staff sickness has decreased in 2020/21 despite the challenges of COVID-19. The most common reason for absences was mental health.

Throughout the past year, regular communications have been issued to staff on the support available for their health and wellbeing, for example communications on Occupational Health, Wellbeing Warriors. This will continue to be communicated on a regular basis.

2020/21 Conclusion: It is positive that the Council has started to consider the impact COVID-19 has had on the workforce via the Future Working Environment project and is actively engaging with staff as part of this. We are also pleased to note that work is progressing in response to the recommendation made in the BVAR audit to align service workforce plans to the transformation projects.

Financial sustainability (continued)

Deloitte view – Financial sustainability

As discussed on page 7, the Council is projecting to achieve a small underspend in 2020/21 and has set a balanced budget for 2021/22. The current reserves held are at an acceptable level, albeit towards the lower end of the Reserves Policy range. While the reserves balance is projected to increase, the majority is earmarked for specific purposes. It is positive to note the increased commitment to the Investment Fund to support sustainable investment. We are therefore satisfied that the Council is financially sustainable in the short-term.

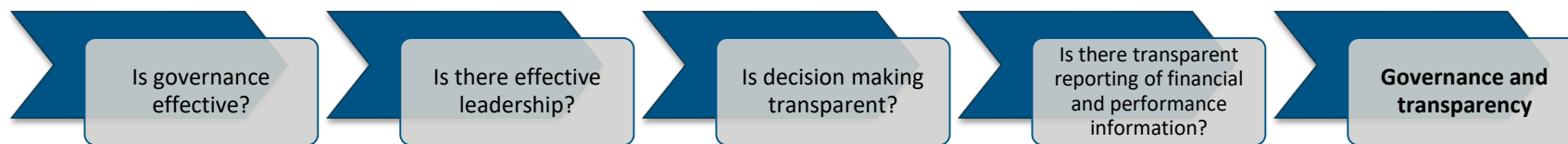
It is positive to note that the Council has res-assessed its medium and long term financial planning to take into consideration the impact of COVID-19 and has a clear picture of the financial challenges it faces. It is also positive to note that the 10 year funding gap has reduced slightly from that previously estimated in 2017. However, the cumulative funding gap of £120m over the next 10 years, with £40m over the next three years, remains a significant risk. It is also recognised that the long-term impact of COVID-19 is not yet known. Details plans need to be developed to identify how the Council plan to bridge this gap.

The Council has continued to make good progress during 2020/21 with transformation, in particular the development of the Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic. We are also pleased to note that a comprehensive Transformation Benefits Realisation Monitoring Framework has been developed, as recommended in the BVAR audit report, and a clear set of governance arrangements are in place. It is important that this is fully embedded and actively used as the Renewal Programme is implemented. It is also critical that the projects within the Renewal Programme are progressed at pace given the financial challenges faced over the medium and longer term.

It is also positive that the Council has started to consider the impact COVID-19 has had on the workforce via the Future Working Environment project and is actively engaging with staff as part of this. We are also pleased to note that work is progressing in response to the recommendation made in the BVAR audit to align service workforce plans to the transformation projects.

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 identified there is a risk that the revised governance arrangements put in place in response to the pandemic were not appropriate or operating effectively.

In relation to the IJB there continues to be an ongoing risk that the IJB does not achieve the full benefits of integration along with a balanced budget position. We also highlighted the former Director of the HSCP and Chief Officer left his post during the year, therefore as part of our audit work, we noted we would review the decision making process for his departure.

We also identified that while there are risk management processes in place, that there is a risk that officers and Committee members have not considered how sustainable any changes to the risk appetite will be in the longer term.

Leadership

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

2020/21 update: The Executive Leadership Team has remained largely consistent with previous years. As noted on page 18, a new Head of Service (Recovery and Renewal) was appointed during the year. In addition, the post holders for the Executive Director (Communities and Education) and the Head of Service (Commercial) were made permanent following an external recruitment process.

The Director of the HSCP left his post in September 2020. An interim Chief Officer of the IJB was subsequently appointed in October through an internal recruitment exercise pending a full external recruitment process for the Director vacancy. A new Director was appointed in December 2020 who was previously the S95 officer of the IJB.

These transitions have been smooth and have not caused any loss of knowledge or experience. We have reviewed the decision making process for the departure of the former Chief Officer of the IJB and satisfied that this was robust.

There is a collaborative culture in North Ayrshire with close working relations between the Council, Health Board, IJB, and other stakeholder groups. This was evident throughout the pandemic and the Council has acknowledged that the quick response would not have been possible without the help of the third sector organisations, community groups, volunteers and private sector businesses.

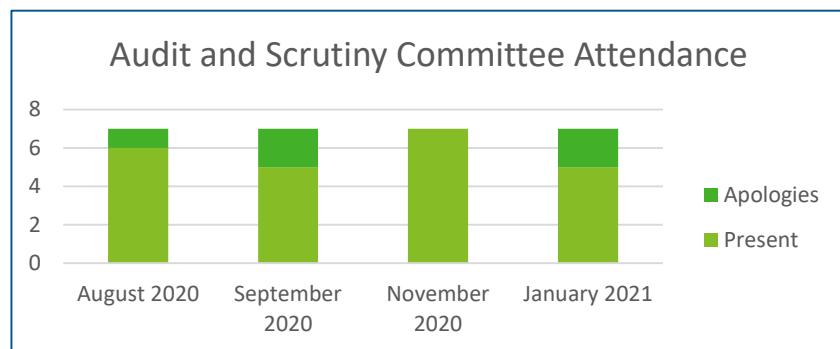
2020/21 conclusion: The Council continues to have strong leadership and the transition of the posts during the year went smoothly. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners, including the Council, Health Board, third sector, volunteers and private providers.

Governance and transparency (continued)

Governance and scrutiny arrangements

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.

2020/21 update: We have reviewed meetings attendance from the past year and confirm that there has been adequate attendance. In addition, from attendance at meetings we can confirm that there is sufficient scrutiny and challenge exercised by members during the meetings.



The Council's Committee structures were temporarily suspended during the COVID-19 outbreak with all meetings suspended for a few months, promptly resuming from the end of June 2020 (Cabinet), August 2020 (Audit and Scrutiny Committee), and September 2020 (Council) via video conferencing.

During the brief pause, 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 were published on the Council's website on a fortnightly basis, together with the relevant officers' report. Cabinet roles were also revised to take into consideration the impact of COVID-19, the newly approved CWB Strategy, and to address climate change.

The Council and Audit and Scrutiny Committee have responded well to COVID-19 risks throughout the pandemic, which has included putting emergency powers in place for the first few months of the pandemic to allow the Chief Executive and Chief Officers to focus on responding to the immediate service needs of the pandemic. This allowed for more devolved decision making and swift action to be taken through working with local partners within the communities.

In response to the pandemic, an update of the Strategic Risk Register was presented to Cabinet on 23 February 2021 which included consideration of the impact of COVID-19. This ranks the impact of COVID-19 as a very high risk, with appropriate mitigations put in place such as the formation of strategic, tactical and operational response groups, an internal and external digital communication strategy, and The 'North Ayrshire Food System' to ensure enhanced resilience during the pandemic.

2020/21 conclusion: The Council continues to have robust governance and scrutiny arrangements in place. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned through videoconferencing. The Council's strategic risk register has been updated to reflect the very high risk posed by the impact of COVID-19.

Openness and transparency

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

2020/21 update: 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. There was also regular communication with elected members, during the few months when there were revised governance arrangements.

Governance and transparency (continued)

Openness and transparency (continued)

The Council has continued to engage with the public on decisions taken and the creation of key strategy documents that are consulted on before drafting and finalising. For example, as part of gathering the public's thoughts on the 2021/22 budget and Recovery and Renewal Strategy, the Council held virtual budget engagement events, locality zoom sessions with different stakeholder groups, a facebook live Q&A session, and has consulted on the design of grounds maintenance services as part of participatory budgeting measures.

2020/21 conclusion: The Council continues to be open and transparent with meetings open to the public via live webcasting and recordings made available through the Council's website.

Health and social care partnership

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

2020/21 update: The Council continues to exercise oversight and scrutiny of the HSCP's operations through receiving regular reports to the Cabinet as part of financial performance reporting. The Audit and Scrutiny Committee also exercises oversight through the Council's internal audit which performs procedures on the HSCP's control environment.

The IJB is projecting an underspend of £3.497m for 2020/21. As a result of the close monitoring of the budget position, including the impact of COVID-19, the IJB is on track to be able to make the planned debt repayment of £1.5m to the Council, and a further £1.5m payment planned as part of setting of the 2021/22 budget.

The IJB's 2021/22 budget includes an initial budget gap of £3.906m, which is to be met by a savings plan totalling £2.528m and general reserves of £1.116m. Whilst there are risks with the 2021/22 budget, including the continued impact of COVID-19 and re-mobilisation of services, this is supported by clear and reasonable savings plans. In addition, the HSCP continues to build on previous transformation activities, adjusted for the impact of COVID-19 to try to make the services more financially sustainable in the medium to longer term.

The IJB has not yet developed any medium term planning due to a number of areas uncertainty. A one-year Bridging Strategic Commissioning Plan for 2021-22 provides a starting point for developing a longer term plan. Following engagement with elected members, locality sessions and public engagement between November 2020 and February 2021, the plan was approved by the IJB in March 2021. An 18-month consultation and engagement process is now underway to gather feedback from the public on the future direction of the HSCP, including lessons learned from the pandemic.

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, particularly in light of the challenges created by the COVID-19 restrictions, which have impacted on timelines.

The IJB has identified initial learning lessons from the past year, which has identified new ways of working that can be built into the redesign of future services. This includes building on the experiences from the past year in managing the pandemic, including the wealth of experience from the close working relationships with the third sector, independent sector, and community groups.

The IJB continues to have strong and effective leadership and the transition of the new Chief Officer and Head of Service for Health & Community Care during the year went smoothly. There is a continuing positive and collaborative culture. We have reviewed the decision making process for the departure of the former Chief Officer and satisfied that this was robust.

2020/21 conclusion: The Council has continued to exercise sufficient oversight and scrutiny of the HSCP's activities. The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing. It is therefore critical that the planned comprehensive review of the IJBs MTFP and strategic commissioning plan during 2021 and 2022 is progressed.

Governance and transparency (continued)

The Islands (Scotland) Act

In relation to the new requirements in relation to the Islands (Scotland) Act, the Council has added island assessment to its equalities and socio-economic assessment templates. As a result, every policy and strategy is now automatically subject to island assessment via Equality Impact Assessments.

We have reviewed several key strategy documents as part of our audit, and concluded that the Council has incorporated consideration of the impact on island communities. For example the updated Renewal and Recovery Strategy includes, under the strategic themes, an action *“to support mainland and island resilience groups and ensure there is regular communication with them.”*

In addition, in setting the 2021/22 budget the Council has considered *“the equality and children’s rights and islands impact of any proposed service changes”*.

We are therefore satisfied that there are adequate arrangements in place to ensure the Council’s key policies and strategies are subject to island assessment as part of Equality Impact Assessments. This should ensure that decisions taken by the Council do not have a significantly different impact on island communities relative to mainland communities.

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

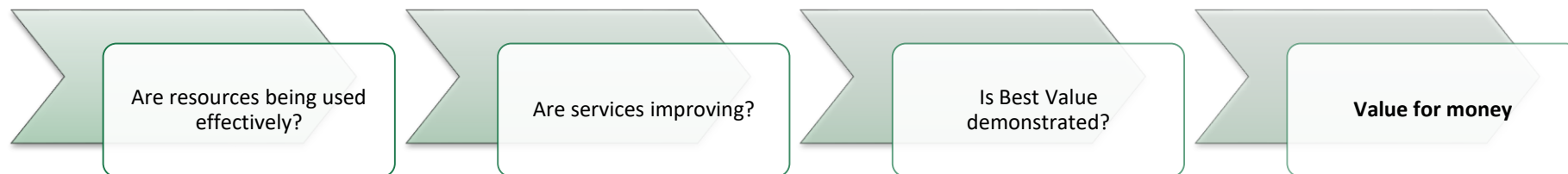
The Council continues to have strong leadership and the transition of the posts during the year went smoothly. Strong leadership has been demonstrated in the collaborative response to COVID-19 in working closely with partners, including the Council, Health Board, third sector, volunteers and private providers.

The Council continues to be open and transparent with meetings open to the public via live webcasting and recordings made available through the Council’s website.

The Council has continued to exercise sufficient oversight and scrutiny of the HSCP’s activities. The IJB has made some good progress during the year, continuing to achieve financial balance, and drive forward transformational change. The risks of COVID-19 on both the financial position and financial sustainability of the services will remain ongoing. It is therefore critical that the planned comprehensive review of the IJBs MTFP and strategic commissioning plan during 2021 and 2022 is progressed.

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 identified that the pandemic is expected to have had a substantial impact on performance measures during the year, and therefore that *“there is a risk that performance reporting has not been timely, reliable, balanced, transparent and appropriate to users’ needs.”*

Performance management framework

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

2020/21 update: The Council’s approach to performance management has remained consistent during 2020/21. The Local Outcomes Improvement Plan 2017-2022 (“LOIP”) underpins the priorities in the Council Plan 2019-24. It provides the performance management framework against which the Council and its partners demonstrate progress and achievement towards improving outcomes for local people and communities. The local outcomes and performance measures identified in the LOIP are linked to the National Performance Framework, where and when appropriate, in line with best practice.

Performance is reported annually to the Audit and Scrutiny Committee. The LOIP Improvement Agenda supports the Council’s work to improve performance going forward. Performance indicators are available for 2019/20 and were presented to the Audit and Scrutiny Committee in January 2021. This annual reporting was delayed due to officers prioritising the management of the COVID-19 pandemic. Mid-year reporting of the 2020/21 performance indicators were presented to Cabinet on 26 January 2021.

There were no changes to the performance reporting arrangements during the year, despite the slight pause in meetings resulting from the temporary governance arrangements put in place as noted on page 23.

The Council have established a Performance Management Strategy covering 2021 – 2024, which considers the impact of the COVID-19 pandemic on certain elements of performance management such as the impact on resourcing. This report is available to the public and can be accessed through the Council’s website. The Council has also tailored its service plans, for example the Children Services Plan 2020-23 to take account of the changing environment due to COVID-19 and to continue to tackle child poverty in North Ayrshire.

2020/21 conclusion: The Council continues to have a clear and robust performance management framework in place through the LOIP. In line with best practice, its performance measures align to the National Performance Framework.

Statutory performance indicators

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.

2020/21 update: 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 (continued)

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 LOIP, the requirement to report on performance for both the Council and with its partner communities was already embedded practice.

In addition, as concluded in the BVAR Report in 2020, the Council practices self-assessment and improvement activities at strategic, service and partnership levels. It also uses the "How Good is our..." self-evaluation framework which assesses the performance of specific services such as school and libraries. This provides assurance on both systems and approaches, and the quality of services delivered. This has helped the Council to identify and address areas for improvement over a number of years. The Council uses the results of external scrutiny to target improvements. It looks beyond its own boundaries to identify learning and innovative practice.

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

Performance data

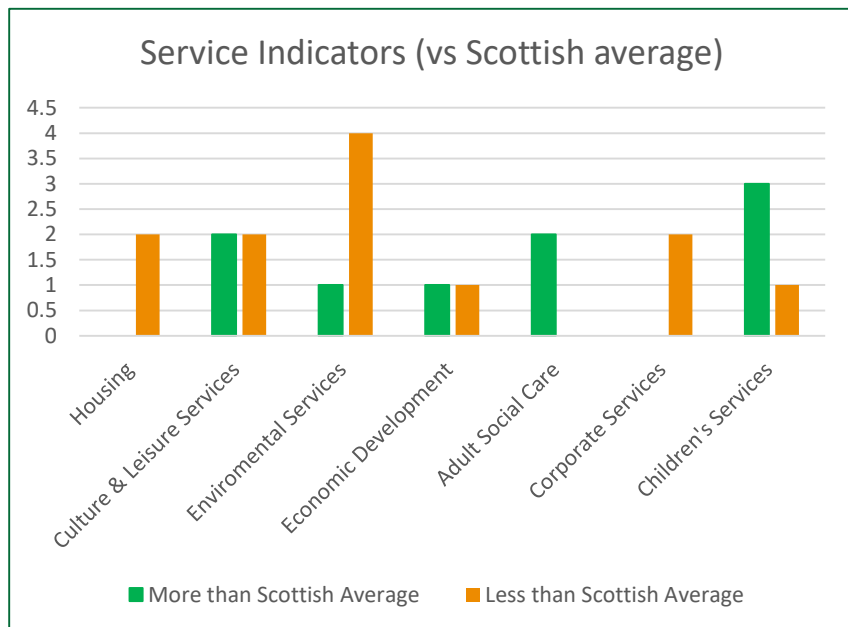
2019/20 conclusion: The performance of the Council is showing evidence of improvements in a number of areas. We recognise that the COVID-19 pandemic has had a significant impact on a number of services. It is important that the Council take any lessons learned as it moves into the recovery phase to consider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

2020/21 update: The Council has continued to report performance measures under the Local Government Benchmarking Framework ("LGBF") during the year, which is incorporated into the Council's suite of performance measures. COVID-19 has presented challenges in collecting data for the performance measures; it has also resulted in different methods of communication, for example through social media channels and videos.

We have drawn on the LGBF to make a high level assessment of the Council's performance, relative to all Scottish councils, in 2019/20 (the latest data available). Due to the impact of COVID-19, a number of the LGBF indicators, particularly in Children's Services, have not been published by the Improvement Service. The LGBF includes a number of indicators organised under common service areas. The Council has considered these indicators as part of its wider performance monitoring.

Value for money (continued)

Performance data (continued)



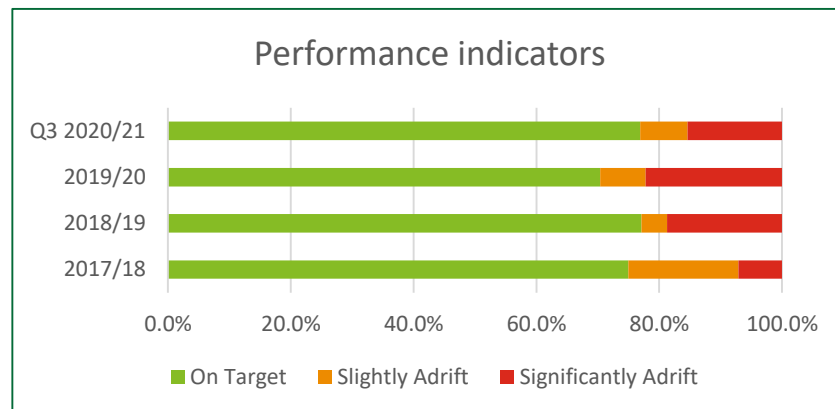
As shown in the chart above, 9 of the 21 (43%) available service indicators in 2019/20 (2018/19, 64%, 2017/18: 62%, 2016/17: 57%) were performing above the Scottish average. Whilst this is a slight decrease compared to 2018/19, 57% of these indicators showed improvements compared to 2018/19, demonstrating that despite the challenges of managing performance during COVID-19 that the Council has still managed to improve performance.

The latest Council Plan Progress Update for quarter 2, which was presented to the Cabinet on 26 January 2021, has tailored the normal in-year performance reporting to also provide an update on how the Council is progressing with managing the COVID-19 pandemic. Some highlights of the Council's response to the pandemic included:

- Implementing community hubs, childcare hubs and food hubs with over 5,700 shielding residents and 690 key worker families supported;

- Providing 1.26 million meals and nearly 1.5 million items of personal protection equipment;
- Delivering 12,407 prescriptions and 66,753 food parcels; and
- Moving a significant numbers of services online.

We have highlighted in the chart below the proportion of indicators by how they are trending against targets during the year, with the latest performance reported for the mid-point of 2020/21. This shows that performance is roughly in line with 2019/20 with 76.9% of indicators on target (2019/20: 70.4%), slightly adrift of target 7.7% (2019/20: 7.4%) and those significantly adrift are 15.4% (2019/20: 22.2%). It is positive that the Council has been able to maintain performance even throughout the pandemic.



2020/21 conclusion: We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. Whilst performance has kept level with the 2019/20 performance, it is important to view this in light of the challenges faced by the Council as a result of the COVID-19 pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

Value for money (continued)

Equalities

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

2020/21 update: The Council Plan 2019-24 states that it believes in fairness, tackle inequality and bases its decisions on these values. The Council Plan intends to tackle poverty and inequality throughout its society. The Equality Outcomes Plan strategizes how to tackle inequality by establishing 'Equality Outcomes' as well as an 'Action Plan'.

Within the 'Action Plan', actions are complemented with outcomes and have been allocated a timescale as well as a responsible/accountable officer. Examples of how the Council aims to tackle inequalities include:

- Raise staff awareness to better identify hate crime;
- Work with Partners to raise awareness of hate crime;
- Share Child Protection information within 1 day of reporting to ensure each Young Person is safe; and
- Provide physical activity and other services to ameliorate social isolation and promote wellbeing.

A consultation process took place between October and November 2020 to gather views on the 'Equality Outcomes' for 2021-25. This included collecting the public's views on the four previous equality outcomes. Feedback was provided by 128 from across Ayrshire with generally positive feedback, with 87% agreeing that the existing outcomes remain appropriate for carrying forward into the next version of the Equality Outcome's plan. There is, however, always scope for improving equality as evident from some of the responses.

We have also reviewed the LGBF performance indicators, some of which factor in inequalities. We highlight the following performance against the Scottish average in the table to the right.

Whilst there is evidence, particularly from this past year under the pandemic, of the Council working closely together with its partners, there is currently no evidence to demonstrate how the partnership working is translating to reducing inequalities.

LGBF measure	NAC	Scottish Average	Year
How many unemployed people have been assisted into work by my council?	20.1%	12.7%	2018/19
What percentage of care services funded by my council are rated good or better?	87.0%	82.0%	2019/20
How much does my council spend on providing fostering/family placements for 'looked after children' (£ per child per week)?	£324.00	£357.00	2018/19

2020/21 conclusion: The Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes plan for 2021-25 and equalities built into the Council Plan and performance measures. Through the Equality Action Plan, it aims to address issues of inequalities in North Ayrshire.

Value for money (continued)

Deloitte view – Value for money

The Council continues to have a clear and robust performance management framework in place through the LOIP. In line with best practice, its performance measures align to the National Performance Framework.

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

We are pleased to see that the Council are responding to demand for changes in service delivery as a result of the pandemic. Whilst performance has kept level with the 2019/20 performance, it is important to view this in light of the challenges faced by the Council as a result of the COVID-19 pandemic. It is important that the Council take any lessons learned as it moves into the recovery phase to consider alternative approaches to service delivery.

The Council has clear strategies in place for progressing the equalities agenda, including an updated Equality Outcomes plan for 2021-25 and equalities built into the Council Plan and performance measures.

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
 - 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 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.

BV arrangements

2020/21 is year five 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 page 32.

Our BV audit work is integrated into our audit approach, including our work on the audit dimensions discussed on pages 6 to 30. 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 good progress with its Transformation Plan.

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 Recovery and Renewal Strategy and Renewal Programme in response to the COVID-19 pandemic.

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	2020/21
<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"> • developing the transformation themes into projects and further developing the governance arrangements to ensure the council has the skills needed to • implement the next stage of transformation • developing a robust benefits realisation tracker to assess whether the council has achieved its aims. 	<p>Implemented – The Transformation and Renewal Programme continues to be progressed. The broad outline of the programme was included in the Budget report to Council on 4 March 2021. The Governance structure which supports the programme is in place and this is through a corporate Transformation Board and through the Executive Leadership Team ("ELT"). All the individual projects / activities have been assigned to individual owners. The monitoring framework to track progress has been developed and is scheduled for launch at the ELT on 26 May 2021. This provides a medium to long term (10 years) framework which is split across agreed Budget Programme activity (approved on Budget day 4 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 FTE impact of any anticipated savings as well as capturing the anticipated key outcomes.</p>
<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"> • identify the numbers, cost and skills of the current and desired workforce • effectively facilitate the transition from the current workforce composition to the desired workforce. 	<p>Partially implemented – During 2020, Workforce Planning discussions have been paused to allow a focus on the pandemic, these have now only just commenced in the new financial year 2021/22. All Heads of Service are meeting during May and June to bring their previous Workforce Plan up to date and ensure this aligns with challenges, service reviews/ transformation agenda. This workforce planning discussion also allows focus on span of control, career progression/development and succession planning. By the summer of 2021 all Workforce Plans will be up to date and will be reviewed on a 6-monthly basis. Work is ongoing to continue to support the Services delivery service reviews in line with the evolution of service delivery and transformation.</p>

Best Value (continued)

Best Value Assurance Report (continued)

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

Recommendation	2020/21
<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>Implemented – The North Ayrshire Council BVAR report was presented to the September round of Locality Partnership meetings and the action was noted.</p> <p>Work commenced on a review of local priorities, which were set in 2016, in preparation for the refresh of locality action plans with links to the intended impacts. A public consultation was launched using the Consul engagement tool. Public engagement activities during the second wave of the COVID-19 pandemic were challenging and, as a result of low responses, a decision was taken to re-evaluate the engagement plan and extend the timescale. A new and more direct approach with stakeholders was developed and carried out, including work with schools.</p> <p>The results of the public consultation are scheduled to be considered by the Locality Partnerships in June 2021. Decisions on any new locality priorities will subsequently form the basis for revised locality plans and associated intended impacts. Impact Reports, a mix of outputs and outcomes, have been developed and will be further updated as the partnership activity matures. It is anticipated that the work on the current action plans and associated intended impacts will be completed by the end of 2021.</p>
<p>The Council should review its Public Reporting online portal, North Ayrshire Performs, to make it more user friendly and accessible.</p>	<p>Implemented – the North Ayrshire Performs portal has been updated with a new Performance Dashboard developed in-house using Power BI. The dashboard provides a much more user friendly and accessible way for residents to access performance data. The information available has been reviewed to ensure it is as concise and relevant as possible, that it contains a link to the LGBF Benchmarking Tool and the Council's contact details. It has been ensured that the layout is in line with the corporate and Annual Performance Reporting branding and that this can be updated with any changes. It was launched on 28 February 2021 and is available from the performance pages within the Council's website: www.north-ayrshire.gov.uk/performance.</p> <p>As it was developed in-house by the Corporate Policy, Performance and Elections team, the Council has full control of its evolution and will continue to make improvements as they receive feedback and develop the service.</p>

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 2020/21, we have followed up our previous 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 highlighting 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. An update of the strategy for 2021-2023 was taken to the Cabinet in May 2021.
- Several transformation initiatives are linked to reducing carbon emissions. As part of the Council's Recovery and Renewal Strategy in response to COVID-19, one of the key principles to guide prioritisation is to "protect and prioritise North Ayrshire environment and reinforce our work to mitigate and adapt to climate change".
- The Council has approved a further £1.4m contribution to the investment fund for climate change, infrastructure and Community Wealth Building in its 2021/22 budget, bringing the total to £9.950m.
- Climate change has been built into the recently approved Community Wealth Building Strategy as a key area of focus.

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.	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. Climate Change continues to be a “High Risk” on the Strategic Risk Register.	
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 was 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



Independent review of adult social care

Feeley report

Background and overview

On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The Review was chaired by Derek Feeley, a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland. Mr Feeley was supported by an Advisory Panel of Scottish and international experts.

The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The review took a human-rights based approach.

The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021.

Next steps

The review concluded that there are three things that must change in order to secure better outcomes – 1. Shift the paradigm, 2. strengthen the foundations and 3. redesign the system. A summary of the recommendations on the following pages. The full report is available at [Adult social care: independent review - gov.scot \(www.gov.scot\)](https://www.gov.scot/adult-social-care-independent-review)



Independent review of adult social care (continued)

Feeley report (continued)

The recommendations within the report cover the following key themes



Scottish Futures Trust - New Frontiers for Smarter Working, Work and Workplace post COVID-19

Background and overview

COVID-19 has fast-tracked a social revolution where a wider range of working choices could be on the horizon for hundreds of thousands of workers.

A new report by infrastructure experts, the Scottish Futures Trust (SFT) reveals that the workforce of the future - predominantly those who have been office based - will want to make informed choices of where and how to work most productively and more beneficially for their wellbeing.

Post the pandemic, organisations should consider the three 'Hs' of working - from Home, a nearby hub or local location, where employees can meet clients or have time to concentrate on projects, or the HQ and head office, where people can gather to socialise, brainstorm ideas or collaborate face-to-face.

The "New Frontiers for Smarter Working, Work and Workplace Report also finds that this new blended future will depend on how employers gauge the benefits from the improved working set up while ensuring the wellbeing of employees.



Next steps

The report reveals a new future for best work, productivity and wellbeing. The full report is available at

[Layout 1 \(scottishfuturestrust.org.uk\)](https://scottishfuturestrust.org.uk)

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 & 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; and
- Best value.

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 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 | 24 May 2021

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NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title:	Accounting Policies 2020/21
Purpose:	To seek the Audit and Scrutiny Committee's approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2021.
Recommendation:	That the Audit and Scrutiny Committee approves the accounting policies as detailed in Appendix 1.

1. Executive Summary

- 1.1 The annual accounts for the 2020/21 financial year summarise the Council transactions during the year and its position at the year end of 31 March 2021. Under the local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with the proper accounting practices.
- 1.2 These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), supported by International Financial Reporting Standards (IFRS). These are issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the Council.
- 1.3 The accounting policies to be adopted by North Ayrshire Council are reviewed on an annual basis in line with the CIPFA Code and submitted to the Audit and Scrutiny Committee for review in advance of the financial statements being prepared.
- 1.4 There have been no material changes to the accounting policies for 2020/21. Anticipated changes in relation to the treatment of leases have been postponed by CIPFA/LASAAC and will be brought forward as part of a future report.

2. Background

- 2.1 Accounting policies are defined in paragraph 3.3.2.1 of the Code as 'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'.

- 2.2 Councils are required to select accounting policies and apply changes to accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.
- 2.3 The Council is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate and consider the required treatment of any new policies relevant to the Council's particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
- 2.4 The draft accounting policies proposed for adoption are detailed in Appendix 1.
- 2.5 CIPFA / LASAAC had previously announced changes to the treatment of leases and similar arrangements in line with International Financial Reporting Standard (IFRS) 16 Leases. However, as part of their response to the COVID-19 pandemic, CIPFA / LASAAC has announced that the adoption of this standard will be postponed once again. The anticipated impact of the proposed changes will be reported to a future meeting of the Committee.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

Environmental and Sustainability

- 4.5 None.

Key Priorities

- 4.6 This report directly supports the Council Plan 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 No consultation was required in the preparation of this report.

Mark Boyd
Head of Service (Finance)

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

Background Papers

None

Accounting Policies 2020-21

General Principles

The Accounts summarise the Council's transactions for the 2020-21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 2014 and Section 12 of the Local Government in Scotland Act 2003 requires that they are prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance under Section 12 of the 2003 Act.

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

A Accruals of Income and Expenditure

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

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

B Allocation of Central Support Costs and Recharges to Capital

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

C Cash and Cash Equivalents

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

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

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

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

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

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

E Charges to Revenue for Non-Current Assets

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

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

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

F Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

The Council participates in two separate pension schemes:

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate as advised by the actuaries, Hymans Robertson.

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

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

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

Service Costs:

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

Remeasurements:

- Return on plan assets – excludes amounts included in net interest on the net defined liability (asset). This is charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

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

Discretionary Benefits

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

G Events After the Reporting Period

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

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

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

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

H Financial Instruments

Financial Liabilities

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

However, the Council has made a loan to a charitable body at less than market rates (soft loan). When a soft loan is made, a loss is recorded in the CIES (charged to the appropriate service) for the present value of the interest that will be foregone over the life of the loan, resulting in a lower amortised cost than the outstanding principal. The value of the interest foregone is then added back amortised back to the amortised cost of the loan on the Balance Sheet and credited to the Financing and Investment Income and Expenditure line in the CIES on an annual basis until the loan is repaid.

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

Expected Credit Loss Model

Potential impairment losses on Financial Assets Measured at Amortised Cost are determined using the Expected Credit Loss Model.

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

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors).

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

Financial Assets Measured at Fair Value through Profit and Loss

Financial Assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial asset and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services as they emerge.

Fair value measurements of the financial assets are based on the following techniques:

- Instrument with quoted market process – the market price; and
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

The Council does not currently have any Financial Assets measured at Fair value through Profit and Loss.

I Government Grants and Contributions

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

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

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

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

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

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

J Heritage Assets

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

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

Measurement

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

Disclosure

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

K Intangible Assets

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

L Interest in Companies and Other Entities

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

M Internal Transactions

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

N Inventories

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

O Investment Properties

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

P Leases

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

The Council as Lessee

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

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

The Council as Lessor

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

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

Q Property, Plant and Equipment

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

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

Recognition

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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

Assets included in the Balance Sheet at fair value are revalued on a rolling 5-year programme, with the exception of Surplus Assets and Investment Properties which are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, the revaluation loss is accounted for as follows:

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

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

Impairment

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

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

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

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

Depreciation

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

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

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

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

Disposals

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

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

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

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

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

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

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

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

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

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

S Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

T Reserves

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

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

U Revenue Expenditure Funded from Capital Under Statute

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

V VAT

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

W Fair Value Measurement

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

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

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

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

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

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

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title:	Annual Governance Statement 2020-21
Purpose:	To seek approval of the Council's Annual Governance Statement for 2020-21 which will be included within the draft Annual Accounts.
Recommendation:	That the Committee approves the draft Annual Governance Statement which is attached at Appendix 1.

1. Executive Summary

- 1.1 The Council's Annual Governance Statement outlines the governance framework which is in place and changes which have been made to strengthen the framework during 2020-21.
- 1.2 Approval of the Statement will ensure that the Council complies with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

2. Background

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

- 2.5 Following approval of the Annual Governance Statement, it requires to be signed by the Leader of the Council and the Chief Executive prior to its inclusion within the Council's draft annual accounts.
- 2.6 The Annual Governance Statement, which is attached in full at Appendix 1 to this report, explains how the Council complies with the Code of Corporate Governance. It identifies the main components of the Corporate Governance Framework which are in place, including the system of internal control, and details the changes which have taken place to the framework during 2020-21.
- 2.7 The Statement also identifies the emergency changes to its governance framework which the Council has implemented in the early part of 2020-21 in response to the Covid-19 pandemic and some improvement actions which are planned to the governance framework during 2021-22. It concludes with an assurance statement by the Leader of the Council and the Chief Executive.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

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

Equality/Socio-economic

- 4.4 None.

Environmental and Sustainability

- 4.5 None.

Key Priorities

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

Community Wealth Building

4.7 None.

5. Consultation

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

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Doak, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294-324561**.

Background Papers

None.

Annual Governance Statement

Scope of Responsibility

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). A copy of the local code is available on the Council's website, or a copy can be obtained from the Chief Executive's Service, North Ayrshire Council, Cunninghame House, Irvine KA12 8EE.

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

The Purpose of the Governance Framework

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

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

The Governance Framework

The main features of the governance framework that was in place during 2020-21 are below:

- The Cabinet was the key decision-making Committee, comprising the Leader of the Council, the Deputy Leader and four members of the Administration, each with a specific portfolio of duties. An Education Cabinet comprised the same members and also included church and teaching profession representatives. The Audit and Scrutiny Committee, which is chaired by the Leader of the Main Opposition, was in place to consider all matters in relation to Internal and External Audit, Risk Management, Scrutiny and Performance, as well as receiving reports on the findings of external scrutiny bodies. A 'Policy Advisory Panel' consisting of all elected members assisted in the preparation of policy proposals for consideration and approval by Cabinet.
- Strategic decision-making is governed by the Council's key constitutional documents including standing orders, scheme of administration, scheme of delegation to officers and financial regulations and associated codes of financial practice. These were refreshed and approved by the Council in December 2020.
- The Council has six Locality Partnerships, covering Irvine, Kilwinning, the Three Towns, Arran, the North Coast and the Garnock Valley. Chaired by a local Elected Member, the Partnerships provide the opportunity for Elected Members, Community Planning Partners and local community representatives to consider the priorities for each area.
- The Council, together with NHS Ayrshire and Arran, established an integrated Health and Social Care Partnership (HSCP), which has been in place since April 2015. The HSCP has established a governance framework and an integrated senior management structure to support delivery of its key objectives.
- The Council's mission and vision and key priorities are outlined in the Council Plan 2019-2024 which is underpinned by a delivery plan and a range of performance indicators.

- A 'People Strategy' entitled 'Our People Connect' is in place to support the delivery of the Council Plan and its strategic priorities by focussing on developing the right culture and helping the Council transform to be a leaner, more efficient and higher performing organisation where people can develop and thrive.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the Council. Regular reporting to Elected Members takes place and a wide range of performance information is available on the 'North Ayrshire Performs' website.
- The Council has adopted a 'Code of Conduct' for all of its employees. Elected Members adhere to the national 'Code of Conduct for Councillors' and a register of interests is in place.
- The approach to risk management is set out in the Risk Management Strategy. The Council's strategic risk register is refreshed annually and for 2020-21 was approved by Cabinet in March 2020.
- Each Head of Service has a Workforce Plan in place for their portfolio of services which considers challenges and issues, the transformation agenda and to support career development and succession planning.
- The Council has in place a development programme for all Elected Members. Leadership and Development programmes are also established for strategic leaders and first line and middle managers across the Council, through the Leadership Academy approach.
- The 'Our Time to Talk' approach is in place to ensure that managers and employees take time to discuss how each employee is getting on at work; this focusses on the employee's contribution to the team, their wellbeing and any development needs that contribute towards meeting the team's objectives or the employee's career aspirations;
- In order to ensure its asset management arrangements are robust, the Council has established the Corporate Asset Strategy. A Technology Strategy and a Digital Strategy are in place to support the ICT asset management plan and the transformation agenda. This asset management approach is underpinned by 6 themed asset management plans, in line with categories recommended by CIPFA: property, housing, ICT, open spaces, road and fleet. These asset management plans were last refreshed during 2019-20.
- A Capital Programme and Assets Group (CPAG), consisting of senior officers from across Council services and chaired by the Head of Finance, is in place. This group monitors the delivery of the Council's capital programme, helping to ensure that projects are delivered on time and within budget. The work of this group is supported by Service Project Boards.
- The Council has a long-term financial outlook, which was updated during the year to cover the period to 2030/31. This sets out the scale of the potential financial challenge and the approach to pro-actively address it, ensuring financial sustainability of the Council.
- The Council has Internal Audit and Corporate Fraud teams to carry out independent and objective reviews of governance and internal control arrangements and investigate allegations of fraud and error both within and against the authority.
- An Information Governance framework is in place which complies with the General Data Protection Regulation (GDPR), supported by a central team of staff within Democratic Services.
- The Council has a robust Corporate Health, Safety and Wellbeing Policy to help ensure it complies with health and safety legislation.
- An annual report is prepared for Cabinet by the Council's statutory Chief Social Work Officer.
- The Council has a two-stage Complaints Procedure, which provides a transparent and standardised process for customers who wish to complain and enables the Council to manage complaints more effectively and to identify any service improvements which may be required.

Although the governance framework has been in place at North Ayrshire Council throughout the year ended 31st March 2021, there has been a period of disruption due to the impact of the pandemic, most notably the suspension of North Ayrshire Council committees through April, May until early June 2020. Since this time committees have been delivered in a virtual setting.

The System of Internal Financial Control

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

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

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

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

Review of Effectiveness of the Governance Framework

North Ayrshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Executive Leadership Team who have responsibility for development and maintenance of the governance environment, the annual report by the Senior Manager (Audit, Fraud, Safety and Insurance) and reports from the Council's external auditors Deloitte LLP, Audit Scotland and other review agencies.

The Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Insurance) is responsible for the management of the section and reports directly to the Section 95 Officer on all audit matters, with the right of access to the Chief Executive and Chair of the Audit and Scrutiny Committee. The Internal Audit section is fully resourced to deliver its 5-year audit plan and complies with the Public Sector Internal Audit Standards (PSIAS) in carrying out its audit work. Regular reports were made to the Council's Audit and Scrutiny Committee throughout 2020-21.

As detailed in the 'Internal Audit Charter' that has been adopted by the Council, the Internal Audit function has independent responsibility for examining, evaluating, and reporting on the adequacy of internal control. The Senior Manager (Audit, Fraud, Safety and Insurance) prepares an annual report, including an assurance statement containing a view on the adequacy and effectiveness of the governance, risk management and internal control frameworks. This was reported to the Audit and Scrutiny Committee on 1st June 2021.

The Internal Audit Annual Report 2020-21 highlights a number of findings by the Council's Internal Audit section which indicate some weaknesses in the internal control environment. Action plans are put in place to address control weaknesses on conclusion of each audit and implementation of audit actions is tracked on a quarterly basis by the Council's Audit and Scrutiny Committee. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Senior Manager (Audit, Fraud, Safety and Insurance) that the Council's systems of internal control continue to provide reasonable assurance against loss.

Significant Governance Developments during 2020-21

A Best Value Audit Review was carried out by Audit Scotland and Deloitte LLP in January and February 2020. The report was presented to the Accounts Commission in June 2020 and to the meeting of North Ayrshire Council in September 2020; it is extremely positive and demonstrates significant improvement since the previous review in 2011, providing significant assurance that the Council complies with its statutory duty to secure Best Value. The key messages from the report include the following:

- The Council has a strong culture of continuous improvement
- There is a strong culture of collaborative working
- Despite significant economic and demographic challenges, the Council is performing well and is a frequent award winner and early adopter of national pilots
- The Council's arrangements for financial planning and management are good overall and it has significantly improved its asset management and procurement arrangements
- The Council is committed to community empowerment and is recognised by the Scottish Government and COSLA as a sector leader.

A new Long-term Financial Outlook (covering the period 2021/22 to 2030/31) and Medium-term Financial Outlook (covering 2021/22 to 2023/24) were approved by the Council in December 2020. These documents note the scale of the financial challenge which the Council faces and underpin the development of a balanced budget. The Revenue Estimates 2021/22 to 2023/24 and Capital Investment Programme 2021/22 to 2030/31 were approved by Council in March 2021.

To ensure ongoing compliance with Section 95 of the Local Government (Scotland) Act 1973, the Council appointed the Head of Finance as its statutory officer with responsibility for financial matters, following the retirement of the Executive Director (Finance and Corporate Support), who previously held this role. The Senior Manager (Planning Services) was appointed as the statutory Chief Planning Officer to comply with the new requirements of the Planning (Scotland) Act 2019.

The Council created a new temporary post of Head of Service (Recovery and Renewal) in May 2020 in order to provide additional capacity at Chief Officer level to respond to the pandemic and to co-ordinate the emergence from lockdown and the transformation of service delivery. A Recovery and Renewal Strategy was approved by Cabinet in September alongside a Covid-19 Financial Recovery Plan.

2020/21 was a 'shadow year' for the implementation of the new CIPFA Financial Management Code 2019, a key goal of which is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Council undertook an initial assessment of compliance with the FM Code and is satisfied that its governance and processes satisfy the principles of good financial management as outlined in the Code.

Covid-19 Governance Arrangements

On 11th March 2020 the World Health Organisation declared the outbreak of COVID-19 as a global pandemic and on 23rd March 2020 the United Kingdom entered a first period of lockdown. Further periods of lockdown were imposed during 2020-21.

From a general governance perspective, at the commencement of the first period of lockdown the Chief Executive formed an Emergency Management Team (EMT) which included the Leader of the Council, Executive Directors and Heads of Service. The meetings were initially held on a daily basis and all pandemic response decisions were considered, actioned and minuted.

The pandemic has had an unprecedented impact on the governance and operations of the Council. Meetings of the Council and its committees were suspended during April, May and June 2020. The Council's Scheme of Delegation to Officers allows the Chief Executive to consider and deal with any urgent issues, howsoever arising, subject to reporting back to the Cabinet for information at the first available opportunity, with this power exercised in consultation with the relevant Chief Officer and the relevant Elected Members. During the period that meetings were suspended, the Chief Executive undertook the following consultation prior to making a decision:

- Matters that would normally be considered by Council – consultation with the Group Leaders of the Labour, SNP and Conservative Groups and one of the Independent Members
- Matters that would normally be considered by Cabinet or another Committee of the Council – consultation with the Leader (for Cabinet), Committee Chair (other Committees) and Portfolio Holder (if different)
- Controversial Council matters – consultation with all Elected Members to understand whether there is likely to be support. 'Controversial' is as defined in the Scheme of Delegation.

In the interests 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 officer report. Reports were made to Cabinet on 30 June 2020 and 8 September 2020 on all decisions made by the Chief Executive under emergency delegated powers.

Meetings resumed at the end of June 2020 and were held virtually for the remainder of 2020-21. These are either broadcast live or recorded and uploaded to allow the public to view proceedings while Covid restrictions prevent physical meetings with public attendance.

The impact on the Council's operations during the period of emergency included the following:

- Impact on the delivery of business as usual services
- New areas of activity as part of the national and local response to the emergency
- The funding and logistical consequences of delivering the response
- Assessment of the long-term disruption and consequences arising from the pandemic
- Planning for recovery and renewal of service delivery for the future

Planned Actions for 2021-22

The Council has a number of planned actions for 2021-22 which will help to further strengthen the governance framework:

- Building on the existing governance structure in place for the Transformation and Renewal Programme, which includes a Transformation Board and the Executive Leadership Team, work is being finalised to fully embed a corporate monitoring framework which will underpin the programme.
- Further strengthening of governance and monitoring arrangements across programme boards and the Executive Leadership Team, due to the scale and complexity of the Growth and Investment portfolio.
- Revising and relaunching the Whistleblowing Policy
- Revising the Locality Partnership Standing Orders
- Developing and implementing processes and software which will enable 'hybrid' Committee meetings to be held utilising both physical and remote attendance.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2020-21 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

The impact of the COVID-19 pandemic has resulted in unprecedented impacts on the governance and operations of the Council throughout 2020-21.

Craig Hatton
Chief Executive
June 2021

Councillor Joe Cullinane
Leader of the Council
June 2021

NORTH AYRSHIRE COUNCIL**1 June 2021****Audit and Scrutiny Committee**

Title:	Internal Audit Reports issued
Purpose:	To inform the Committee of the findings of Internal Audit work completed during March and April 2021.
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 during March and April 2021. 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 8 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
Parent Pay system	Limited
Internet and email controls	Reasonable
Information Governance and Data Protection	Reasonable
Accounts Receivable	Reasonable
Accounts Payable Transaction Testing Q4	Reasonable
Payroll Transaction Testing Q3	Reasonable
Allowances and Pay adjustments	Substantial
HRA Planned Maintenance and Reactive Repairs	Substantial

2.4 The key findings are as follows:

- There is an absence of any written procedures for users of the Parent Pay system, both in Facilities Management and Education
- The Service did not complete a Data Protection Impact Assessment, Data Sharing Agreement or IT, Cyber and Information Security Schedule when the Parent Pay system was procured, although it recognised that it is now in the process of being replaced.
- It was identified that there is no process in place for removing access to shared electronic mailboxes when an employee moves jobs.

3. Proposals

3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed during March and April 2021.

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 Service (Finance)

For further information please contact **Paul Doak, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294-324561**.

Background Papers

None.

FACILITIES MANAGEMENT PARENTPAY SYSTEM

1 Background

- 1.1 Facilities Management (FM) have been working towards cashless school meals across all Council schools since 2017/18, with ParentPay being the software used to facilitate this.
- 1.2 The risk of handling cash during the coronavirus pandemic resulted in Facilities Management accelerating the rollout of ParentPay, meaning all schools are now cashless in terms of school meals.

2 Objectives and Scope

- 2.1 The objective of this audit was to ensure that:-
 - Written procedures exist to support staff using ParentPay
 - Personal data within ParentPay is secure
 - Checks are in place to confirm that all cash payable to the Council is received
 - Debt is being managed effectively

3 Findings

Procedures

- 3.1 FM are the owners of ParentPay, however Education are key users of the system, therefore procedures were requested from both Services.
- 3.2 Neither Service has written procedures to cover the processes that their staff are responsible for undertaking within ParentPay. Both Services were aware of this shortfall and were considering their production prior to this audit. **(action point a)**
- 3.3 Whilst no written procedures are currently available, both Services have confirmed that staff using ParentPay have had basic training relevant to their role.

Data Security

- 3.4 ParentPay have recently provided the Council with a detailed statement on how they guard against information security and cyber threats. This statement was reviewed and found to be satisfactory by Audit.
- 3.5 During the tendering and award of the contract to ParentPay, the following data security documents should have been completed:
 - Data Protection Impact Assessment (DPIA)
 - Data Sharing Agreement
 - IT, Cyber and Information Security Schedule
- 3.6 A DPIA has not been completed for ParentPay, therefore Audit have requested that FM prepare one **(action point b)**.

- 3.7** ParentPay provided the Council with a data sharing agreement as part of the contract award. Audit were unable to gain assurance that the agreement was reviewed by IT or Legal prior to signing, therefore could not confirm that the terms are fair and reasonable for the Council **(action point c)**.
- 3.8** Corporate Procurement were unable to find evidence of an IT, Cyber and Information Security Schedule having been completed during the contract award **(action point d)**.

Council Income

- 3.9** PARIS (the Council's cash management system) is used to upload income information received from ParentPay. A file is then created to update the ledger.
- 3.10** Both the transfer of data from PARIS into the general ledger, and the reconciliation of the Council's bank accounts have been covered in previous audits, with no significant issues noted. As a result, no further testing has been undertaken as part of this audit.

Debt Recovery

- 3.11** As at October 2020, there was approximately £220k of debt relating to unpaid school meals. FM intend to write off £32k of this debt as it relates to pupils who have now been granted free school meals. In addition, it is hoped that once Corporate Debt Recovery resume pursuing debt (which has currently been paused due to coronavirus) the overall debt figure will be further reduced.
- 3.12** FM are proactively looking at ways to reduce debt levels, with a focus of minimising the occurrence of debt in the first place. A more joined up approach between FM, Education and Customer Services has been proposed as part of the solution.
- 3.13** Once a revised approach to minimising school meal debt is agreed, detailed procedures should be included as part of the overall ParentPay procedures **(action a)**.

4 Internal Audit Opinion

- 4.1** Overall, limited assurance was obtained with regard to the controls surrounding the ParentPay system.
- 4.2** Procedures provide guidance to staff in terms of their role and responsibilities. A lack of written guidance increases the risk of error and inconsistencies when using the system.

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 FACILITIES MANAGEMENT PARENTPAY SYSTEM

Action	a(1)
Finding	Written procedures are not available for users of ParentPay
Action Description	Detailed written procedures should be completed. As system owners, Facilities Management should ensure these cover the administrative side of the software.
Risk	Errors are made due to a lack of written guidance for ParentPay users; inconsistent approach when dealing with pupil debt
Priority (1, 2, 3)	2
Paragraph Reference	3.2, 3.13
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Neil McAleese
Due Date	31 May 2021
Management Comment	FM will prepare procedures for all FM related processes.

Action	a(2)
Finding	Written procedures are not available for users of ParentPay
Action Description	Detailed written procedures should be completed for system users within Education.
Risk	Errors are made due to a lack of written guidance for ParentPay users; inconsistent approach when dealing with pupil debt
Priority (1, 2, 3)	2
Paragraph Reference	3.2, 3.13
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor
Due Date	31 May 2021
Management Comment	A procedures document will be produced for both school-based staff and parents/carers.

Action	b
Finding	A Data Protection Impact Assessment has not been completed.
Action Description	A Data Protection Impact Assessment document should be prepared. This document is a 'live' document and therefore should continue to be updated for any process changes or new risks.
Risk	Personal data is at risk of misuse; Council reputation damage; Council could be fined by the Information Commissioner's Office
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Neil McAleese
Due Date	Completed
Management Comment	DPIA has been prepared and will be monitored as required.

Action	c
Finding	Audit were unable to confirm that the Data Sharing Agreement which has been signed on behalf of the Council was confirmed as fair and reasonable by IT or Legal prior to signing.
Action Description	The Data Sharing Agreement with ParentPay should be reviewed by IT and Legal to confirm that it is fair and reasonable. Any issues should be immediately raised and negotiated with ParentPay.
Risk	The Council has signed an unfavourable legal document which could have ramifications should a data breach occur; Personal data is at risk of misuse; Council reputation damage; Council could be fined by the Information Commissioner's Office
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Managed by	N/A
Assigned to	N/A
Due Date	N/A
Management Comment	Agreed with Audit that this is no longer required as the contract is almost at an end and the Council is bound by the current agreement.

Action	d
Finding	IT, Cyber and Information Security Schedule hasn't been completed.
Action Description	An IT, Cyber and Information Security Schedule should be prepared.
Risk	Personal data is at risk of misuse; Council reputation damage; Council could be fined by the Information Commissioner's Office
Priority (1, 2, 3)	1
Paragraph Reference	3.8
Managed by	Yvonne Baulk, Head of Service (Physical Environment)
Assigned to	Neil McAleese
Due Date	N/A
Management Comment	Facilities Management recognise that this process was not documented previously but confirm that steps have been taken to remediate this as part of the tender process for a new online payments supplier.

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.

INTERNET AND EMAIL CONTROLS

1 Background

- 1.1 The introduction of Office 365 is in line with a key objective of the Council's Digital Strategy. Office 365 is a cloud-based approach to business application delivery.
- 1.2 Part of the Office 365 project was to migrate the Council's existing Lotus Notes environment to Exchange Online, which has been fully implemented. This audit focuses on the security controls surrounding Exchange Online although it should be noted that some controls relate to Office 365 as a whole.
- 1.3 IT Services are responsible for the administration of Exchange Online.

2 Objectives and Scope

- 2.1 The main objectives of the audit were to ensure that:
 - security roles and responsibilities have been identified and are managed with the service provider and relevant policy requirements are being met.
 - access to privileged accounts is appropriately restricted, email logs are available, users access controls are appropriate and access to shared mailboxes is properly controlled.
 - adequate security controls are in place to protect our data and monitoring is in place to detect unusual activity.
 - appropriate malware prevention controls are in place to protect the network from malicious content.
 - email access on tablets and mobile phones is secure, controlled and covered by policy.

3 Findings

Contract Compliance and Policy Requirements

- 3.1 The email retention policy was agreed by the project board in May 2020 and approved by Executive Leadership Team (ELT) in December 2020; however, it has not yet been implemented on Exchange Online. Information Governance will advise IT Services to go live with this policy after a corporate communication has been issued to staff.
(action a)
- 3.2 Microsoft provides a resilient environment to ensure the Council retains access to emails and can recover emails within 30 days of deletion. For emails deleted after 30 days, there is currently no way to recover such emails. IT Services advised they have a capital funding bid of £150,000 for a new backup and recovery system to deal with this. The Capital Investment Programme was approved by the Council on Thursday 4th March 2021.

Review of Exchange Admin Roles and Controls around Email Accounts

- 3.3** Microsoft recommends between 2 and 4 global administrators as this role has almost unlimited access to the Council's settings and most of the data within Office 365 and therefore provides a security threat. The Council exceeds this recommendation as there are 6 global administrators that all work in IT Services. IT Services reviewed this access and confirmed this access is appropriate and necessary to allow the Operations team to carry out their job as well as to provide cover and continuity. To protect this level of access, multi-factor authentication was implemented in 2020 to minimise the risk of unauthorised access. IT Services will keep the security and access to global accounts under review.
- 3.4** Microsoft also recommends assigning the least permissive role. The auditor reviewed the users with Exchange admin role. Initially this was restricted to 6 relevant IT Services staff, but this was changed during the audit to 20 IT Services staff. This is to allow the Customer Team to apply out of office for people who go off suddenly and there is currently no individual way of giving them that ability without the full Exchange admin role. This was raised with the Senior Manager who requested this was reduced. IT have confirmed this has now been reduced to 5 relevant IT users.
- 3.5** The auditor tested for leavers who still have an active email account. There were 3,222 email accounts and 110 of them were for employees who had left. Of these 110 employees, 22 employees left in 2019 or earlier and the rest left in 2020. IT reviewed the results and confirmed that the leavers process disabled the active directory account and changed the individual user email account to a shared mailbox so there is no risk of unauthorised access.
- 3.6** Microsoft recommends blocking sign in for the accounts associated with a shared mailbox to prevent an admin user resetting the password on such accounts. This also prevents an attacker gaining access to the shared mailbox credentials to allow the user account to log in to the shared mailbox and send email. IT Services confirmed this is being done for new shared mailboxes set up in Exchange Online but has not been implemented for existing shared mailboxes migrated from Lotus Notes. This was rectified during the audit.
- 3.7** The auditor selected a sample of 10 shared mailboxes that are at a higher risk of sending and receiving sensitive data as per the title of the mailbox. This testing identified 5 employees that no longer work for the team using the shared mailbox but still have access to it. The Information Management Officer in Information Governance is not aware of any guidance advising staff to review and update access to shared and group mailboxes. There is also no process in place for ensure shared mailboxes are reviewed periodically and updated on a timely basis. **(action b)**

Email Security Controls

- 3.8** IT Services has no process in place to review the 'Third-Party Vulnerability Assessment of Office 365' annual report made available by Microsoft to determine if any action is required to be taken by the Council to tighten the security of our Office 365 environment. **(action c)**

Malware Prevention

- 3.9** The Council utilises Exchange Online Protection, which is the cloud-based filtering service that helps protect the Council against spam and malware. Suspicious or infected malicious objects are quarantined. This is controlled via the Exchange admin centre and access to this is restricted to key IT Services staff. There are no findings to report from this testing.

Email on Mobile Devices

- 3.10** The Bring Your Own Device (BYOD) policy, and additional guidance referred to in the draft version, has not yet been agreed and issued. **(action d)**
- 3.11** Microsoft Intune is used for Mobile Device Management. Access to this is restricted to a small number of IT staff. The auditor compared the security configuration settings as per the draft BYOD policy to the security configuration settings as per the different device enrolment policies set up. This comparison identified differences in the security configurations for each type of device so there is no standard approach. It should be noted that all requires a password and provides a minimum password length of 4. The specific discrepancies have been passed to IT to consider when finalising the BYOD policy. **(action e)**

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the security controls around Exchange Online. Implementation of the audit actions will help to tighten the security and controls in this area.

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 INTERNET AND EMAIL CONTROLS

Action	a
Finding	The email retention policy was agreed by the project board in May 2020 and approved by ELT in December 2020; however, it has not yet been implemented on Exchange Online. Information Governance will advise IT Services to go live with this policy after a corporate communication has been issued to staff.
Action Description	Information Governance should liaise with the project manager, issue the corporate communication, and advise IT to go live with the agreed policy.
Risk	Emails are retained longer than required resulting in a GDPR breach.
Priority (1, 2, 3)	2
Paragraph Reference	3.1
Managed by	Andrew Fraser, Head of Service (Democratic)
Assigned to	Lauren Lewis, Information Management Officer (Democratic)
Due Date	30/04/2021
Management Comment	<ul style="list-style-type: none"> - Article to be written for all staff to raise awareness of Email Retention Policy prior to IT switch on. Comms will be sent via News in Brief and O365 SharePoint site. - Supporting 'how to' video on how to save emails out of Outlook and into shared file repository (shared drive/SharePoint/OneDrive) will be saved to O365 SharePoint site for all staff to view. - Email Retention Policy can then be switched on by IT.

Action	b
Finding	Audit testing identified a number of employees that still have access to a shared mailbox despite moving jobs. The Information Management Officer in Information Governance is not aware of any guidance advising staff to review and update access to shared and group mailboxes. There is also no process in place for ensure shared mailboxes are reviewed periodically and updated on a timely basis.
Action Description	Information Governance and IT Services should work together to introduce a process for reviewing and updating who has access to shared mailboxes and group mailboxes.
Risk	Inappropriate access to personal and sensitive data.
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Managed by	Andrew Fraser, Head of Service (Democratic) Fiona Walker, Head of Service (People and ICT)
Assigned to	Alan Lindsay, Snr Tech Officer (IT Services) Lauren Lewis, Information Management Officer (Democratic)
Due Date	31/12/2021
Management Comment	IT Services will work with Information Governance to introduce a process for reviewing and updating who has access to shared mailboxes and group mailboxes. This is likely to include looking at commercial software solutions that could support this.

	<p>Consideration and then selection of the right solution will take several months and may have budgetary implications if it is deemed that a commercial 'off the shelf' solution is required.</p> <p>Information Governance will draft corporate email guidance for staff and update relevant policies to highlight governance risks of outdated access controls for shared mailboxes.</p>
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Action	c
Finding	IT Services has no process in place to review the Third-Party Vulnerability Assessment of Office 365 annual report made available by Microsoft to determine if any action is required to be taken by the Council to tighten the security of our Office 365 environment.
Action Description	IT Services should ensure that they review the Third-Party Vulnerability Assessment of Office 365 annual report made available by Microsoft to determine if any action is required to be taken to tighten the security of our Office 365 environment.
Risk	Identified vulnerabilities are not rectified.
Priority (1, 2, 3)	2
Paragraph Reference	3.8
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Derek Nelson, ICT & Cyber Security Architect
Due Date	31 st July 2021
Management Comment	A review of the Third-Party Vulnerability Assessment of Office 365 annual report will be scheduled to occur annually on the 31 st March with any subsequent actions noted in the cyber risk register and resolved as appropriate.

Action	d
Finding	The Bring Your Own Device (BYOD) policy, and additional guidance referred to in the draft version, has not yet been agreed and issued.
Action Description	The Bring Your Own Device policy and additional guidance should be finalised, agreed and issued.
Risk	Responsibilities of the Council and employees have not been defined, agreed and communicated.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Derek Nelson, ICT & Cyber Security Architect
Due Date	31 st July 2021
Management Comment	Policy will be reviewed, updated where required, and distributed to all registered BYOD users.

Action	e
Finding	The comparison between the security configuration settings as per the draft BYOD policy and the settings as per the device enrolment policies identified differences in the security configurations for each type of device so there is no standard approach. It should be noted that all requires a password and provides a minimum password length of 4.
Action Description	Once the BYOD policy has been agreed, the security configuration settings as per the device enrolment policies should be reviewed and brought in line with the BYOD policy.
Risk	Inappropriate access to Council data and potential data loss.
Priority (1, 2, 3)	2
Paragraph Reference	3.11
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Derek Nelson, ICT & Cyber Security Architect
Due Date	31 st July 2021
Management Comment	The security configuration requirements will be aligned, where appropriate and possible, with the updated BYOD policy.

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.

INFORMATION GOVERNANCE AND DATA PROTECTION

1 Background

- 1.1** The EU General Data Protection Regulation (GDPR) became part of UK law in the Data Protection Act 2018.
- 1.2** The Information Governance team has undergone a number of changes in the last 2 years and the manager's post remains vacant. The Data Protection Officer role, which is a requirement of the GDPR, has been filled on an interim basis.
- 1.3** The Council previously had a network of service representatives for Data Protection issues, known as the Data Protection Advisory Group (DPAG). This group has been disbanded, and a replacement Corporate Information Governance Panel is in the process of being set up but has not yet met or set Terms of Reference.
- 1.4** As part of the audit, a survey was sent to representatives of Council Services. Responses were received from:

Chief Executive's Directorate – Member Services, Corporate Fraud Team, Financial Management, Insurance, Corporate Procurement, HR Operations, Organisational Development, Payroll, HR Resourcing, Customer Services, Transformation

Place – Employability and Skills, Protective Services, Housing

Communities – Education, Connected Communities

Health and Social Care Partnership (HSCP)

2 Objectives and Scope

- 2.1** The audit focussed on the implementation of GDPR requirements in relation to information sharing, privacy information and retention and disposal of records.
- 2.2** The main objectives of the audit were to ensure that the Council has:
- processes in place to fulfil individual's rights as defined in the GDPR.
 - accountability arrangements in place in line with the GDPR.
 - the necessary controls over records management, as required by the GDPR.

3 Findings

Individual Rights

- 3.1** The Council has an overarching privacy policy statement on its external website and a number of service-specific privacy notices. All the services who responded to the survey were taking steps to inform service users and other contacts of how the Council uses their data.

- 3.2** Services were asked if they produce privacy information tailored for children, but all of the respondents stated that they do not. However, from discussions with the Information Management Officer, it seems likely that some individual establishments and teams, particularly within Education and HSCP, are doing this, but the people completing the survey may have been unaware of that. It is important that the Council explains to children and young people what it does with their personal data in appropriate language. **(Action a)**
- 3.3** There is a corporate Record Retention Schedule which is dated 11th February 2010. There are also a number of service-specific schedules, most of which were last reviewed between June 2010 and February 2013. Updated Records Retention Schedules based upon the Scottish Council on Archives Records Retention Schedules (SCARRS) are being produced as an output of the data cleanse work being undertaken as part of the implementation of Office 365, which is moving the Council's data to Sharepoint. This work is already underway, but it is a very large project. The current expectation is that the retention schedules will be completed by mid to late 2023. As an interim measure, the old retention schedules could be removed from Connects and replaced with a link to SCARRS, upon which the new schedules will be based. **(Action b)**
- 3.4** The Northgate system used for Council Tax does not have archiving facilities and it is therefore necessary to keep data from prior years, in order to continue pursuing debts from those prior years. This has been noted in the Council's Information Asset Register with a recommendation that, when the system reaches the end of its lifecycle, the specification for any future system should require retention facilities which are compatible with GDPR requirements.

Accountability

- 3.5** The Council has a mandatory half-day training course on Information Governance, which includes information on information sharing. However, during the Covid-19 pandemic it has not been possible to run these courses. There is an e-learning course available to all employees, but it does not give guidance on information sharing. It includes a video on data handling, but this is out-of-date, referring to the previous information classification scheme and Navigate, the Council's intranet site prior to Connects. **(Action c)**
- 3.6** A sample of 5 contracts which involved sharing personal data was selected from the Council's contract register. In 4 cases suitable data sharing agreements were in place. In the 5th case, the relevant procurement officer is actively pursuing the contractor for the signed agreement.
- 3.7** The Council's Information Asset Register is an important tool in ensuring compliance with GDPR requirements. It identifies all the information assets held by the Council and information about each one, such as whether and how they are shared with other parties and whether they are processed outwith the European Economic Area. Services are prompted to review their entries on an annual basis. However, the database is built on a platform which has reached the end of its lifecycle and a replacement system will require to be purchased. **(Action d)**
- 3.8** The requirement to undertake Data Protection Impact Assessments (DPIAs) is built into the procurement process. Survey respondents were aware of the requirement to undertake DPIAs.

Records Management

- 3.9** There is guidance on records management on Connects, including a Records Management Manual which was updated in 2018.
- 3.10** There is advice regarding taking records offsite on Connects and in the face-to-face training mentioned at 3.5 above. As at 3.5, it would be beneficial to include more information on this in the e-learning course. Advice on looking after Council data while working from home was included in the June 2020 “Staff Talk” magazine in response to the increase in working from home during the Covid-19 pandemic. **(Action c)**

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the implementation of GDPR requirements in relation to information sharing, privacy information and retention and disposal of records.

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
INFORMATION GOVERNANCE AND DATA PROTECTION

Action	a
Finding	Survey respondents stated that no privacy information specifically for children has been produced. In discussion with the Information Management Officer, it seems likely that some individual establishments and teams have produced such information, but that officers completing the survey were unaware of this.
Action Description	The Corporate Information Governance Group should review the privacy information produced for children and ensure that best practice is followed.
Risk	Children and young people do not receive appropriate information to make them aware of how their information is handled by the Council, leading to a potential breach of the GDPR. Information given to children and young people is inconsistent or not appropriately worded. Officer time is spent producing such information when examples of good practice already exist.
Priority (1, 2, 3)	2
Paragraph Reference	3.2
Managed by	Andrew Fraser, Head of Service (Democratic Services)
Assigned to	Lauren Lewis, Information Management Officer/Kirsty Hamilton, Data Protection Officer
Due Date	31/08/2021
Management Comment	Information Governance to liaise with relevant Services to identify key areas for focus – predominantly within HSCP and Education. Due date chosen to align with school term return. Evidence of privacy notices/information provided that is tailored to children will be attached to audit report to support compliance.

Action	b
Finding	The current record retention schedules are up to 10 years old. There is an ongoing project which will produce revised retention schedules, but these are not expected to be completed until 2023.
Action Description	Information Governance should consider removing the old retention schedules from Connects and replacing them with a link to the SCARRS as an interim measure until the new North Ayrshire Council records retention schedules are available.
Risk	Services are making decisions on how long to retain records based upon out-of-date information which could potentially include legislation which has been superseded.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Managed by	Andrew Fraser, Head of Service (Democratic Services)
Assigned to	Lauren Lewis, Information Management Officer
Due Date	30/04/2021
Management Comment	Access to the retention schedule will be retained by Records Management for reference as existing records will have retention applied as per this schedule for a number of years to come; however any records having retention applied from x date (tbc) will be retained according to SCARRS. This will be reflected in the wording on Connects.

Action	c
Finding	Although the mandatory Information Governance training course does cover data sharing and taking data offsite, it has not been possible to run the course during the Covid-19 pandemic. The e-learning available to officers does not cover data sharing in any depth and also includes out-of-date references.
Action Description	Information Governance should update the e-learning available to officers and ensure that it includes guidance on data sharing.
Risk	Officers do not receive suitable training on information sharing if they are unable to attend in-person training. They receive out-of-date information on Council policies and procedures.
Priority (1, 2, 3)	2
Paragraph Reference	3.5, 3.10
Managed by	Andrew Fraser, Head of Service (Democratic Services)
Assigned to	Kirsty Hamilton, Data Protection Officer
Due Date	31/05/2021
Management Comment	Content can be reviewed and scoped by Information Governance however the transfer of material to the online platform is reliant on HR L&OD. L&OD are in the process of migrating to a new online training platform and therefore due date may be subject to change based on resource within Service and go live date of the training system.

Action	d
Finding	The Information Asset Register database is built on a platform which has reached the end of its lifecycle and a replacement system will require to be purchased.
Action Description	Information Governance should procure a replacement database for the Information Asset Register.
Risk	The database, which is essential for GDPR compliance, ceases to be fit for purpose.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Managed by	Andrew Fraser, Head of Service (Democratic Services);
Assigned to	Kirsty Hamilton, Data Protection Officer
Due Date	31/03/2022
Management Comment	Discussions ongoing with IT to ensure a solution to current database issues is found. Ongoing support to the database will continue however no further updates will be made.

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.

ACCOUNTS RECEIVABLE

1 Background

- 1.1** North Ayrshire Council has a Sundry Debtors Policy which details the procedures to be followed when dealing with accounts receivable. All Services have the responsibility to recover as much of the income owed as possible.
- 1.2** The COVID-19 pandemic has had an impact on the issuing of invoices and collection of debtors' income.

2 Objectives and Scope

- 2.1** The main objectives of this audit were to ensure that: -
- there is an adequate control framework over access to and operation of the accounts receivable system
 - debt is properly raised for all chargeable goods and services and recorded in the accounts receivable ledger in a consistent and timely manner and is complete, accurate and valid
 - that all payments received from valid customers are promptly processed and accurately recorded in the accounts receivable ledger
 - debt management, arrears follow up procedures and bad debt write offs are properly controlled
 - the outputs from the accounts receivable ledger are complete, accurate and valid and are produced and reconciled in a consistent and appropriate format, in a timely manner

3 Findings

Control Framework

- 3.1** The Sundry Debt Policy was updated in 2019 and, together with Integra procedural instructions, is available to staff on Connects.
- 3.2** The debtor process is administered through Integra. Integra SLS (sales ledger system) access requests are made by the employee's line manager and administered by the Finance Team. Responsibility for managing access remains with the manager responsible for the employee.
- 3.3** Audit testing identified 2,921 employees had access to the system; of these 674 were non active leaving 2,247 active accounts. Of the active accounts 1,228 have never been accessed therefore not activating system security protocols.
- 3.4** A data matching exercise between the Sales Ledger current users and Council leavers, identified 71 accounts linked to leavers; of these, one account had been accessed after the employee's leaving date. The Integra system has a default setting that suspends access when the account is inactive for ninety days. Systems administration has closed all these accounts. There is an audit of the Integra system in the current audit plan and this area will be reviewed in more detail.

Raising debt

- 3.5** Services are responsible for raising their own invoices. These are recorded on the Sales Ledger (SLS) on Integra. Once raised, the value of the invoice is recorded on the ledger. The printing and posting of invoices are outsourced to an external company.
- 3.6** From the Integra reports for the period 9 January to 1 October 2020, analysis identified 7,794 clients with around 50,000 transactions completed. Not all accounts had been created consistently on Integra and in some instances a client has multiple accounts making risk assessment of debtors and matching of payments more difficult. There were many accounts created which did not have the postcode properly applied. **(Action a)**

Payments Process

- 3.7** As a result of the current COVID-19 pandemic, raising invoices for some Council services was suspended. In some circumstances, clients continued to pay for their service via a pre-arranged agreement. These payments were retained in order to prevent future hardship for the client.
- 3.8** A daily report is investigated for unallocated payments and these are assigned to the correct account. The most common cause of these is customers using old account reference numbers when making payment. Audit testing confirmed the completion and accuracy of these reports from day to day.

Debt management

- 3.9** System administration run a daily report which produces reminders, final notices, legal proceeding letters and identifies accounts requiring further action.
- 3.10** Audit analysis of the debtors report identified a transaction total of £4,283,134. Debts are recorded over five time periods, of this 49.6% of the transactions were over 270 days old. Income is automatically allocated to the debtors' account code however some clients are paying using old account numbers; the report records these as £203,629 unallocated credits. There is some evidence of clients having more than one account set up making it more difficult to find and allocate payments, and some spelling errors and missing information where it would be impossible to link credits to the correct account and makes tracing of debtors more difficult if required. The Debtors team has started to investigate and resolve these. **(Action b)**
- 3.11** In December 2019, 5,964 invoices totalling £309,742.90 were written off as per the Council's Financial Regulations. These were as a result of sequestrations, prison sentencing, insufficient information and death of the client. The overriding factor is prescribed accounts, where the client had not responded to any communications for over three years. Written off funds are reallocated to the respective Service's budget.

Reconciliations

- 3.12** Daily reconciliations are completed by the Debt Recovery Section. These compare sales ledger to general ledger; audit testing confirmed that these were accurately recorded.
- 3.13** Monthly reconciliations are completed and are independently reviewed by a manager. Audit testing confirmed that these accurately reflected the debt position.

4 Internal Audit Opinion

- 4.1 Overall, reasonable assurance was obtained with regard to the Accounts Receivable Service. The core function of collecting and reconciling invoice receipts is operating well. The debtors' processes were also found to be working well. However, some other issues and risks were identified during the audit which require action from 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

ACCOUNTS RECEIVABLE

Action	a
Finding	There are errors in creating records on the sales ledger and some information is missing or put in the wrong field.
Action Description	System users should be reminded of the correct procedure for inputting and recording information on the sales ledger.
Risk	<p>Reconciliation and matching of unallocated credits is more difficult.</p> <p>It is more time consuming to trace debtors.</p> <p>Multiple accounts and their aggregated value may lead to debts being treated in the wrong fashion or written off as uneconomical to follow up on.</p>
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Moira Follan, Team Manager (Revenues)
Due Date	30 June 2021
Management Comment	<p>An investigation has identified that the main issue relates to the inputting of postcodes in the wrong field. The Debt Recovery team has arranged for a reminder message to be included in the Integra system messages for users. This went live on 3 February 2021 and will be repeated as an annual reminder.</p> <p>Detailed guidance notes for users were developed during the development of the Integra system and the Debt Recovery team will arrange to email all current users to highlight the issues and re-issue the guidance notes. This will be issued by 30/04/21.</p> <p>The Revenues page on Connects will be reviewed and updated to provide further guidance, including links to the relevant training documents. This will be updated by 30/06/21.</p>

Action	b
Finding	Clients have more than one account.
Action Description	Duplicate accounts should be investigated and where possible future use of these accounts should be prevented. Staff should be reminded to check existing debtors accounts before creating a new account.
Risk	Multiple accounts and their aggregated value may lead to debts being treated in the wrong fashion or written off as uneconomical to follow up on.
Priority (1, 2, 3)	1
Paragraph Reference	3.10
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Moirra Follan, Team Manager (Revenues)
Due Date	31 March 2022
Management Comment	<p>The appropriate guidance on checking for existing accounts is detailed in the guidance notes which will be re-issued to users, as noted under Action A.</p> <p>Although some duplicate records are correct and have been created for business purposes, a data cleansing exercise will be undertaken during 2021/22 to identify and remove erroneous duplicates. This will be completed by 31 March 2022.</p> <p>As with Action A, periodic system message will be displayed reminding users of the correct procedures and encouraging them to carry out a search before adding a new customer.</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.

ACCOUNTS PAYABLE TRANSACTION TESTING Q4

1 Background

- 1.1 This audit used computer audit software called IDEA (Interactive Data Extraction and Analysis) to interrogate the Accounts Payable (AP) System and examined any anomalies which arose.
- 1.2 There were 43,575 invoices paid during the period of the audit totalling just over £151 million.
- 1.3 No supplier testing or advance payment testing was carried out for this audit.
- 1.4 The e-Procurement Officer advised that due to employees working from home, the approval process for non-PO invoices may have changed. Non-PO invoices are normally physically signed but where this is not possible, approval can be sent via email prior to keying to Integra.

2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
 - duplicate invoices have not gone undetected
 - high value invoices have been properly authorised within approval limits
 - invoices paid to employees are bona fide
- 2.2 The audit was carried out in quarter 4 and the audit period was 1st July 2020 to 31st December 2020.

3 Findings

Invoice Tests

- 3.1 The auditor tested for duplicate invoices for payments to suppliers and identified 102 possible duplicates that were investigated further. This confirmed that 85 were duplicates but had already been identified and action taken by the AP team. This testing therefore identified 17 potential duplicate invoices totalling £21,651.12, which have not already been identified by the AP team. The potential duplicates have been passed to the AP team to check and arrange recovery. **(Action a)**

Approval of High Value Payments

- 3.2 The auditor selected a sample of 20 invoices over £10,000 to check the invoices were approved by an authorised signatory, were approved within the approval limit and an independent check had been carried out. In 2/20 cases there was no 'payments over £10k' report attached so there is no evidence an independent check was carried out. In addition, 2 of the sample had a 'payments over £10k' report attached but no evidence of who had carried out the independent check. In all 4 cases the invoice was keyed by the Service.

- 3.3** All invoices were approved by an authorised signatory, however, in 1 case the invoice value was above their approval limit. The approver was contacted during the audit and advised they should only approve within their agreed limit and if the limit needs to be amended this needs to be agreed by their Head of Service. The Senior Payments Officer also reminded the Accounts Payable team to check the approver is an authorised signatory and amount is within their approval limit.
- 3.4** The net amount for payment on an interim certificate payment was zero but the £892,905 previously certified amount was paid to the supplier in error. The error was identified by the supplier, rather than our internal checks and was subsequently rectified by the AP team. It should be noted that the interim certificate should not have been passed to the AP team by the Regeneration Officer, who has an approval limit of £10k. The wrong amount was keyed by the AP team and the payments over £10k report was independently checked by the AP team.
- 3.5** An invoice was keyed and authorised by the HSCP Adult Finance Team using an electronic signature for the authorised for payment section of the invoice approval stamp. The auditor was advised the electronic invoice stamp with each team members electronic signature is held in the Adult Finance Team folder. Internal Audit advised the team that the electronic invoice stamp should be held on their h:drive to ensure the stamp cannot be used by anyone else to approve an invoice.

Creditors to Payroll Data Match

- 3.6** Testing was carried out to match employee bank details to trade and sundry supplier bank details to identify creditor payments made to employees. Excluding any matches for kinship payments there were no invoices paid to a standard supplier. There were 7 invoices paid to a sundry supplier. All were checked and there were no findings to report as all payments were bona fide payments.

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to the controls around the processing of invoices, in particular to preventing duplicate invoices being processed.
- 4.2** There is a particular concern about a single interim payment certificate for £892,905 which was paid in error and which went undetected by internal controls.

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
ACCOUNTS PAYABLE TRANSACTION TESTING Q4

Action	a
Finding	Testing identified 17 potential duplicate invoices totalling £21,651.12, which have not already been identified by AP.
Action Description	AP should review the potential duplicate invoices and arrange for recovery of monies paid twice.
Risk	The Council has paid the same invoice twice and the money has not been recovered.
Priority (1, 2, 3)	1
Paragraph Reference	3.1
Managed by	Mark Boyd, Head of Service (Finance)
Assigned to	Anne Lyndon, Senior Manager (Procurement)
Due Date	30.06.21
Management Comment	The Account Payable Team will investigate the 17 potential duplicates by 19 th March and thereafter recover any duplicate payments.

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.

PAYROLL TRANSACTION TESTING Q3

1 Background

- 1.1** This audit was conducted as part of the approved 2020/21 Internal Audit Plan and used computer audit software to interrogate the HR/Payroll system and examined any anomalies which arose.
- 1.2** The Employee Account is used to access and complete internal online forms for contract amendments and terminations.
- 1.3** Mileage, travel and subsistence claims can either be submitted via the completion of a manual claim form which is then physically authorised or electronically via the system called HR21, which allows the claim form to be electronically completed and approved.
- 1.4** The Payroll system has a screen called Authorised Signatories which records what the employee is authorised to approve.
- 1.5** Audit software called IDEA (Interactive Data Extraction and Analysis) has been used to carry out this testing.
- 1.6** Some changes to the process had to be made due to COVID-19 with employees working from home and not being able to obtain physical signatures.

2 Objectives and Scope

- 2.1** The main objectives of this audit were to ensure that:
 - High overtime payments are valid and properly authorised.
 - Employees' last pay is correct, properly authorised and has not resulted in an overpayment.
 - Salary amendments are valid and authorised.
 - High mileage claims are in line with the Terms and Conditions of Employment, are valid and authorised.
 - Travel and subsistence expenses are in line with the Terms and Conditions of Employment, are valid and authorised.
- 2.2** This testing covered the period 1st March 2020 to 30th September 2020.

3 Findings

High Overtime Payments

- 3.1** The auditor selected a sample of 10 high overtime payments to carry out audit testing. There were 4 overtime forms that were not approved by an authorised signatory. In 3 cases the person approving and/or their line manager has been contacted and agreed to rectify this. In the other case, the person approving overtime was temporarily covering this role.

Leavers' Last Pay

- 3.2** The auditor selected a sample of 10 leavers to ensure the employee's last pay is correct, the termination form has been received on a timely basis and was approved by an authorised signatory. The following was identified during the audit and rectified by Payroll:
- An employee was underpaid Pay in Lieu of Notice and Pay in Lieu of Holidays and will be paid the shortfall.
 - An employee was overpaid but the overpayment amount was calculated incorrectly, and Payroll confirmed the employee will be paid the shortfall.
- 3.3** From the sample of 10, it was noted that 3 overpayments were made. One employee was overpaid by 3.5 months, one by 2 months and one by 2 weeks. All were picked up and rectified by Payroll.
- 3.4** It was noted that 7 out of 10 termination forms were received after the leaving date.
- 3.5** It was also noted that 3 out of 10 termination forms were not approved by an authorised signatory. One of the approvers has since been set up as an authorised signatory and the other 2 have been contacted to notify them they should not be approving termination forms unless they are an authorised signatory.

Salary Amendments

- 3.6** The auditor selected a sample of 10 amendment forms. It was noted that 6 of the amendment forms were not received on a timely basis as they were received after the effective date.
- 3.7** An amendment form had a temporary amendment end date of 11/06/21 but the Payroll system recorded this amendment had ended on 28/08/20. The auditor noted an error had been made to terminate the wrong post for this employee which resulted in the temporary amendment ending. This was rectified by the Payroll team, but the Resourcing team were not notified to allow the correct date of 11/06/21 to be recorded on the Payroll system. This was rectified by the Resourcing team during the audit.

High Mileage Claims

- 3.8** The auditor selected a sample of 5 high mileage claim forms. It was noted that one of the claim forms on the Expense Claim screen on the Payroll system did not show the name of the authorised signatory. Chris system admin advised there was a system error which prevented the approver information from being recorded; however, they did confirm the automatic email to the line manager was still generated so the claims were still approved even though there is no evidence of this. This has since been rectified. No other findings were noted.

Travel and Subsistence Expenses

- 3.9** The auditor selected a sample of 10 travel and subsistence expenses. This testing found that one of the subsistence claim forms was not submitted within 3 months and none of the 4 excess travel expenses claim forms were submitted within 4 weeks of starting at the employee's new place of employment.

- 3.10** The auditor contacted the 4 excess travel claimants in the audit sample to ask if they continue to travel to work or if they have been working from home since lockdown began. Two of the claimants continue to travel to work and two of the claimants have been combining working from home with travelling to work. The employees' managers have been notified of this finding. There may be other employees across the Council continuing to receive such payments since employees were sent home back in March 2020. **(action a)**

4 Internal Audit Opinion

- 4.1** Overall, reasonable assurance was obtained with regard to Payroll transactions 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 PAYROLL TRANSACTION TESTING Q3

Action	a
Finding	Two of the excess travel claimants have been combining working from home with travelling to work. There may be other employees across the Council continuing to receive such payments since employees were sent home back in March 2020.
Action Description	HR/Payroll should remind services to review the excess mileage payments where staff have changed work location.
Risk	Overpayments have gone undetected if claimants have been working from home during lockdown.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	Jackie Hamilton, Senior Manager Employee Services
Due Date	Complete
Management Comment	A report has been extracted of all employees who are receiving payment in respect of excess travel, this has been compared to records held in relation to the COVID impact on the workforce (home working). This extract has been sent to Heads of Service, who have been requested to review the records for accuracy and instruct Payroll where the payment should cease or be amended.

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.

ALLOWANCES AND PAY ADJUSTMENTS

1 Background

- 1.1 This audit reviewed the processes surrounding the payment of allowances and pay adjustments.

2 Objectives and Scope

- 2.1 The key objectives of this audit were to ensure that: -
- allowance payments are being appropriately authorised,
 - regular reviews of those receiving allowances are being undertaken
 - evidence of the reason for, and calculation of, pay adjustments is being retained

3 Findings

AUTHORISATION OF ALLOWANCES

- 3.1 The Council's 'Terms and Conditions of Employment' set out a number of allowances which employees may be entitled to.
- 3.2 Responsibility for confirming entitlement lies with the council officer who instructs Employee Services to pay the allowance.
- 3.3 A sample of payments were selected for testing from the following allowance categories: -
- Mental Health Officer Allowance
 - Unsocial Hours Allowance
 - Responsibility Allowance
- 3.4 Audit testing identified allowances being approved by council officers who are not authorised signatories. Employee Services sample check 10% of authorisations, but in general, reliance is placed on the individual officer signing the form to be aware of their own authority levels. **(action point a)**

REVIEW OF ALLOWANCES

- 3.5 Employee Services carry out an annual employee data check. Services are provided with employee details and asked to check that the salaries, allowances and hours listed are accurate. This check wasn't undertaken in 2020 due to Coronavirus creating huge demands on staff time, however Employee Services have confirmed that the task is on their work schedule to be carried out in 2021.
- 3.6 A detailed check on the unsocial hours' allowances being paid is also carried out annually. Services are required to confirm the rate to be paid to each employee.
- 3.7 It was found that the spreadsheets were being authorised by an image of the authorised signatory's signature being copied and pasted into the spreadsheet. This could be completed by someone other than the authorised signatory and is not deemed as enough evidence of authorisation for audit purposes. Going forward, Employee Services have agreed that authorisation of these completed spreadsheets will be evidenced by the e-mail from the authorised signatory returning the spreadsheet.

PAY ADJUSTMENTS

- 3.8** Pay adjustments are required when a one-off adjustment to an employee's salary is necessary - for example to correct a prior error or to make a backdated payment.
- 3.9** Employee Services calculate the pay adjustment.
- 3.10** Whilst Employee Services keep copies of correspondence resulting in a pay adjustment (such as emails, contract amendment forms), they do not retain a copy of the manual calculation undertaken to work out the value of the pay adjustment.
- 3.11** Should a query be received regarding a pay adjustment, Employee Services would have to re-create the original calculation.
- 3.12** In order to confirm that sufficient information is being retained to allow this recalculation to happen if required, Audit requested that Employee Services provide detailed workings for a sample of 5 pay adjustments.
- 3.13** Employee Services were able to provide detailed calculations for each item in the sample and whilst 1 error was identified, this was due to human error as opposed to an issue with the process. Employee Services corrected the error immediately.
- 3.14** Audit noted that 4 out of the 5 pay adjustments tested were necessary because of delayed submission of forms by Services. **(action point b)**

4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard to the processes surrounding the payment of allowances and pay adjustments.
- 4.2** Audit testing highlighted that Services play a critical role in ensuring the accuracy of allowance payments and minimising the need for pay adjustments. Errors or delays in submitted forms by Services directly impacts upon the workload of Employee Services and the take home salary of employees.

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 ALLOWANCES AND PAY ADJUSTMENTS

Action	a
Finding	Allowance forms are being signed by Officers who do not have the authority to do so.
Action Description	Employee Services to remind Managers that they must ensure they have authorised signatory status before signing any payroll forms.
Risk	Fraudulent or erroneous allowance payments being made to employees
Priority (1, 2, 3)	1
Paragraph Reference	3.4
Managed by	Fiona Walker (Head of Service, People & ICT)
Assigned to	Jackie Hamilton (Senior Manager, Employee Services)
Due Date	Complete
Management Comment	An email has been issued to Heads of Service with a copy also posted on the Senior Managers Network Teams site. The email outlines the payroll transactions that require to be approved by an authorised signatory, how to request information on who their signatories are and also the document to add any new signatories.

Action	b
Finding	Delays in the submission of forms to Employee Services are resulted in pay adjustments being necessary.
Action Description	Employee Services to remind Managers that they must submit forms timeously to prevent incorrect payment of employees.
Risk	Employees are not receiving the correct remuneration for the employment
Priority (1, 2, 3)	3
Paragraph Reference	3.14
Managed by	Fiona Walker (Head of Service, People & ICT)
Assigned to	Jackie Hamilton (Senior Manager, Employee Services)
Due Date	Complete
Management Comment	An email including a link to payroll deadlines has been issued to all authorised signatories to remind them of the requirement to submit accurate and timely information to the Payroll Team.

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.

HRA PLANNED MAINTENANCE AND REACTIVE REPAIRS

1 Background

- 1.1 This area was last audited in 2015/16. Only revenue spend has been reviewed during the audit.

2 Objectives and Scope

- 2.1 The objectives of this audit were to ensure that:-
- There is a process for monitoring planned maintenance to ensure works are being completed timeously
 - Emergency and right to repair repairs are being carried out in line with prescribed timescales
 - Standing Orders relating to Contracts have been adhered to when appointing external contractors

3 Findings

Planned Maintenance

- 3.1 The process for carrying out annual gas safety checks was reviewed.
- 3.2 The Council's contractor takes the lead in this process.
- 3.3 The contractor is responsible for arranging access to properties and updating the Council's records on all completed checks daily.
- 3.4 Audit obtained a list of all properties due a gas safety check in order to assess how many are overdue. Out of 12,060 properties (this includes all properties requiring a gas safety check, not just HRA properties) only 345 checks were overdue as at 1 April 2021. This represents less than 3% of the total properties.
- 3.5 The Council and the contractor are actively working to gain access to carry out these outstanding checks, via forced entry if necessary.

Emergency and Right to Repair Repairs

- 3.6 When repairs are reported to the Council they are classed as either:-
- Emergency
 - Right to Repair
 - Non-emergency
- 3.7 The classification defines the timescale for completing the repair.
- 3.8 Tenants are made aware of the above via the Council's Housing Repairs Policy.
- 3.9 Emergency repairs should be completed within 4 hours.
- 3.10 In order to ensure emergency repairs are being completed timeously, a report of all jobs classified as emergency in 2020/21 was obtained from Building Services.

- 3.11** The report gives a due date and time for each repair along with a completion date and time. Audit compared these and found that more than 94% of all repairs were completed within the 4-hour deadline.
- 3.12** Further investigation showed that the majority of the 'late jobs' were completed within a further 2 hours of the original deadline (i.e. within 6 hours), with only 1.4% taking longer than this.
- 3.13** The Housing (Scotland) Act 2001 sets out certain repairs that must be done within a predefined timescale. Depending on the works, the timescale for completion can be either 1,3 or 7 days.
- 3.14** If the Council fails to complete the repair within the timescale, tenants are entitled to claim compensation.
- 3.15** In order to ensure Right to Repair repairs are being completed timeously, a report of all jobs classified as Right to Repair in 2020/21 was obtained from Building Services.
- 3.16** The report gives a due date for each repair along with a completion date. Audit compared these and found that all repairs had been completed within the relevant timescale.

External Contractors

- 3.17** Audit testing focussed on non-emergency repairs carried out by external contractors in order to confirm that the Council's procurement procedures are being adhered to.
- 3.18** For a sample of payments, the auditor ensured that:-
- the contractor was listed on the Council's contract register
 - the invoice had been authorised by an authorised signatory
- 3.19** All contractors tested were found to be approved suppliers per the contract register.
- 3.20** One instance of an invoice being approved by a council officer without the appropriate authority was noted during Audit testing. This was not picked up by Accounts Payable prior to keying the invoice.
- 3.21** The Service has spoken to the member of staff and confirmed the individual now has a clear understanding of personal authority levels going forward. In addition, Accounts Payable have recently implemented a new, more robust, process for checking authority levels prior to keying invoices which should further prevent such an instance going forward.

4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard to the processes for dealing with planned, emergency and non-emergency repairs.

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.

NORTH AYRSHIRE COUNCIL**1 June 2021****Audit and Scrutiny Committee**

Title:	Internal Audit and Corporate Fraud Action Plans: Quarter 4 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 31 March 2021.
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 31 March 2021.

2. Background

- 2.1 The last report to the Audit and Scrutiny Committee on 9 March 2021 highlighted that there were 38 actions outstanding at the end of December 2020: 5 that had not been started or were only partially implemented and 33 where the due date had not yet passed.
- 2.2 In addition to these 38 'carried forward' actions, there have been 16 new actions agreed, giving a total of 54 action points for review.

- 2.3 Services have completed 27 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 27 actions, 11 were either not started or only partially complete at 31 March and the remaining 16 were not due for completion until after that date.
- 2.5 Appendix 1 to this report provides the Committee with full details of the 11 actions that were not complete within the agreed timescales.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

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.

Actions due by 31st March 2021 but not started or partially complete

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	The IJB PAC currently receive quarterly performance information relating to the Partnership's strategic plan. By the end of Q1 2021-22 a lead partnership report will be drafted and provided to the 3 HSCPs on lead partnership function and service. For North Ayrshire this will be relating to Mental Health services.		
Progress Bar	<div><div>50%</div></div>	Original Due Date	31-Dec-2019	Due Date	31-Mar-2021
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 Directions, including lead partnership arrangements, was paused during the pandemic. This work has re-started and is being led by the North Ayrshire partnership. The plans span 2021-22 with the lead partnership arrangements planned to be bedded in by September 2021.		
Progress Bar	<div><div>20%</div></div>	Original Due Date	30-Sep-2019	Due Date	31-Jan-2021
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 HSCPs 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 Directions, including fair shares and set aside, was paused during the pandemic. This work has re-started, the plans span 2021-22 with that year being used as a shadow period for fair share and set aside. It is anticipated this will allow an agreed approach to fair shares being in place from April 2022. The other elements of the Directions work include lead partnerships, budget/resource allocations and governance arrangements, all to be completed during 2021-22.		
Progress Bar	<div><div></div>20%</div>	Original Due Date	31-Mar-2019	Due Date	31-Jan-2021
Parent Code & Title	IA2019IJB001 IJB Lead Partnership Arrangements			Managed By	Caroline Cameron
				Assigned To	Caroline Cameron

Code	IA2020PA014b	Description	<p>Audit Action: A training gap analysis in relation to self-directed support (SDS) should be undertaken, where staff assessed as requiring training are identified and an information programme put in place.</p> <p>Audit Finding: Limited training in relation to self-directed support has been completed since 2013.</p> <p>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.</p>		
Priority	1	Latest Note	<p>A recent staff survey was carried out. Work has commenced to include low level awareness SDS information in staff and Care at Home inductions. Further SDS awareness information and resource for development has been shared with teams from the Care Inspectorate iHUB. Ayrshire Independent Living Network and one of our staff members (Independent Living Advisor) provides team or one-one support for all SDS enquiries.</p> <p>More in depth practice training will be developed/offered/implemented when the new HSCP structure and in particular Chief Social Work Officer role is recruited and direction on the whole review of SDS implementation can be progressed.</p> <p>Expected completion date 31/10/21.</p>		
Progress Bar	<div><div>20%</div></div>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA014 Self-Directed Support			Managed By	Isabel Marr
				Assigned To	Kimberley Mroz

Code	IA2020PA023b	Description	<p>Audit Action: IT Services and Education should produce a documented formal Service Level Agreement to ensure clear roles and responsibilities are defined, agreed and allocated for the provision of IT in the schools.</p> <p>Audit Finding: There is no documented formal Service Level Agreement between IT Services and Education to ensure clear roles and responsibilities are defined, agreed and allocated.</p> <p>Risk: The roles and responsibilities of both parties have not been defined and agreed.</p>		
Priority	2	Latest Note	At a working group meeting on 29/04 it was agreed that IT would have a final review of the Working Together Agreement document during the week commencing 03/05/21 prior to being returned to Heads of Service for final approval. Revised closure date is 07/05/21.		
Progress Bar	<div><div>80%</div></div>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA023 Remote Access Controls around the Education Network			Managed By	Andrew McClelland; Brendan Quigley; Fiona Walker
				Assigned To	Rosslyn Lee; Andrew McClelland; Carolann McGill; Brendan Quigley

Code	IA2020PA023d	Description	<p>Audit Action: The ICT Technicians should reconcile their inventory records with the Airwatch report and identify any NAC purchased iPads not on Airwatch and pass to IT to ensure they are added to this console, to allow them to be properly managed.</p> <p>Audit Finding: There are 481 iPads on the schools' inventory records that are not on the Airwatch report.</p> <p>Risk: iPads have not been set up on Airwatch and are therefore not being properly managed in line with Council policy.</p>		
Priority	1	Latest Note	<p>A discussion has taken place at the April working group meeting and due to the current circumstances with the return of schools, there is a high volume of work currently being experienced by ICT Technicians to ensure staff and young people have access to IT, this has delayed the completion of the action. It has been agreed that a communication is sent to Headteachers advising staff to return ALL iPads to the ICT Technicians by 14/05 and to ensure that iPads are added to Airwatch and inventory by <u>31 May 2021</u>.</p>		
Progress Bar	<div><div>70%</div></div>	Original Due Date	31-Jan-2021	Due Date	31-Jan-2021
Parent Code & Title	IA2020PA023 Remote Access Controls around the Education Network			Managed By	Andrew McClelland
				Assigned To	Lynn Taylor

Code	IA2020PA023k	Description	<p>Audit Action: School ICT technicians should undertake a review of the laptops on their inventory in comparison to the records held on System Centre and ensure that the inventories are up-to-date.</p> <p>Audit Finding: The auditor compared each school's list of laptops to the System Centre report provided by IT Services using the serial number to match the 2 sets of data. This comparison showed major discrepancies between the laptops as per the schools' inventory and the laptops as per the System Centre report. Some of the ICT Technicians advised that their inventory records are not up-to-date and this is supported by these results as not all laptops on the schools' inventory are still being used.</p> <p>Risk: Lost or stolen laptops are not identified.</p>		
Priority	1	Latest Note	<p>Although inventories have been submitted, some are not up-to-date. The Working Group have discussed and agreed to delay this work until a more appropriate time due to the high level of workload for ICT Technicians at this time. It is proposed for a System Centre Report to be provided to each secondary school in the week commencing 07 June. ICT Technicians will update their inventory over the school holiday period and a comparison made with System Centre information and any anomalies addressed. The revised completion date has been amended to 31 July 2021.</p>		
Progress Bar	<div><div>50%</div></div>	Original Due Date	28-Feb-2021	Due Date	28-Feb-2021
Parent Code & Title	IA2020PA023 Remote Access Controls around the Education Network			Managed By	Andrew McClelland
				Assigned To	Lynn Taylor

Code	IA2020PA031b	Description	<p>Audit Action: 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.</p> <p>Audit Finding: Online access profiles for school aged individuals are not being regularly reviewed to ensure they stay in line with those used with Education.</p> <p>Risk: School aged individuals may be able to access content deemed inappropriate by Education from a Library PC.</p>		
Priority	2	Latest Note	As libraries have been closed since March 2020 and therefore, no PC access is available, this has not been completed. However, contact has been made with IT to update as soon as possible in time for reopening of libraries in the coming months and certainly by September 30th 2021, with quarterly reviews in place.		
Progress Bar	<input type="text" value="0%"/>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA031 Library and Information Service			Managed By	Rhona Arthur
				Assigned To	Alison McAllister

Code	IA2020PA031c	Description	<p>Audit Action: 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.</p> <p>Audit Finding: There are new risks to the Service which need to be considered when planning a move from PC suites to tablets.</p> <p>Risk: Theft of tablets; loss of corporate browser filtering allows inappropriate or illegal activities to be undertaken using Council IT facilities</p>		
Priority	2	Latest Note	As libraries have been closed since March 2020 and therefore, no PC access available, this has not been completed. However, a risk analysis will now be undertaken as libraries start to reopen and will be completed by the 30th June 2021.		
Progress Bar	<input type="text" value="0%"/>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA031 Library and Information Service			Managed By	Rhona Arthur
				Assigned To	Heather Benson; Alison McAllister

Code	IA2020PA032a	Description	Audit Action: Arran should be aligned with the mainland's processes and procedures. Audit Finding: Staff on the mainland and Cumbrae are managing the interment process electronically, whilst staff on Arran continue to use manual records. 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	2	Latest Note	IT and the software provider are looking at alternative access methods to the software system, but due to COVID restrictions the software provider is unable to visit to implement any changes. Expected completion date for this action is 31/3/22.		
Progress Bar	<div><div>50%</div></div>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA032 Bereavement and Burial Services			Managed By	David Hammond
				Assigned To	Mark McNeil

Code	IA2020PA032b	Description	Audit Action: A review of the Charter set up should be undertaken. Consideration should be given to formalising the Charter by having admission criteria or checks undertaken on local businesses before they are listed as members. A relaunch of the Charter to raise its profile while encouraging more local businesses to sign up should be considered. Audit Finding: The North Ayrshire Bereavement Charter is not as formal an arrangement as is implied on the Council website. 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	2	Latest Note	There has not been any charter working group meetings held due to the Pandemic, and both the Council and the funeral directors have been under pressure at this time. Hopefully we will be able to arrange a meeting in a few months or so when we can review how this has been working and discuss any possible changes. Expected completion date for this action is 31/3/22.		
Progress Bar	<div><div>50%</div></div>	Original Due Date	31-Mar-2021	Due Date	31-Mar-2021
Parent Code & Title	IA2020PA032 Bereavement and Burial Services			Managed By	David Hammond
				Assigned To	Mark McNeil

NORTH AYRSHIRE COUNCIL**1 June 2021****Audit and Scrutiny Committee**

Title: Internal Audit Annual Report 2020-21**Purpose:** To provide the Committee with an annual report on the work of Internal Audit during 2020-21 and provide an opinion on the governance, risk management and internal control environment of the Council.**Recommendation:** The Committee is asked to note the content of the annual report and the opinion of the Senior Manager on the Council's governance, risk management and internal control environment.

1. Executive Summary

- 1.1 The Internal Audit Annual Report attached at Appendix 1 provides information on the work carried out during the period of the 2020-21 audit plan.
- 1.2 It is the opinion of the Senior Manager (Audit, Fraud, Safety and Insurance) that reasonable assurance can continue to be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

2. Background

- 2.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor prepares an annual report on the activities of Internal Audit to demonstrate performance and that the report should contain a view on the soundness of the Council's governance, risk management and internal control frameworks. The Annual Report for 2020-21 is attached at Appendix 1 and outlines the role of Internal Audit, the performance of the section during the year and the key audit findings. It also contains the annual audit assurance statement.
- 2.2 The report gives information on the actual performance against the agreed plan. Overall, 652 days of audit work took place, which was 63 days less than budgeted. Section 2 of the annual report provides more information on the reasons for the shortfall and the corrective action which was taken to amend the audit plan.
- 2.3 Section 3 of the Annual Report provides information on the assurance level given for each audit and some of the most significant findings. All audit reports published were reported to the Audit and Scrutiny Committee.

- 2.4 All audit findings during the year support and inform the opinion by the Senior Manager (Audit, Fraud, Safety and Insurance) on the adequacy of the Council's governance, risk management and internal control environment. The assurance category given to each individual audit informs the overall level of assurance. The Public Sector Internal Audit Standards require this opinion to be given each year through an annual assurance statement. This is included within the annual report at section 6.
- 2.5 The opinion in the annual assurance statement also contributes to the Annual Governance Statement which is published as part of the Council's annual accounts and is elsewhere on the Audit and Scrutiny Committee agenda for approval.
- 2.6 Based on the audit work carried out, the opinion of the Senior Manager (Audit, Fraud, Safety and Insurance) is that reasonable assurance can continue to be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

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

Mark Boyd
Head of Service (Finance)

For further information please contact **Paul Doak, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294-324561**.

Background Papers

None.

INTERNAL AUDIT ANNUAL REPORT

2020-21



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

INTERNAL AUDIT ANNUAL REPORT 2020-21

1 Introduction

- 1.1** The Council's Section 95 Officer has overall responsibility for Internal Audit in North Ayrshire Council. The Senior Manager (Audit, Fraud, Safety and Insurance) reports to the Section 95 Officer, with the right of access to the Chief Executive and the Chair of the Audit and Scrutiny Committee on any audit matter. These rights of access help ensure the organisational independence of Internal Audit.
- 1.2** During 2020-21, the section operated in conformance with the 'Public Sector Internal Audit Standards (PSIAS)'. The Standards define the way in which the Internal Audit section should be established and undertake its functions. The section complied with the PSIAS requirement for an external assessment during every five-year cycle; this was last undertaken by Falkirk Council in 2017 through the peer-to-peer review network of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG).
- 1.3** The Internal Audit section also operated under an 'Internal Audit Charter' which was most recently approved by the Audit and Scrutiny Committee in September 2020.
- 1.4** One of the requirements of the PSIAS is the publication of an annual report. The aim of this annual report is to give an overview of the work carried out during 2020-21. Some information is provided on the resources available to Internal Audit and the performance of the section.
- 1.5** Finally, the report provides an assurance statement on the overall adequacy and effectiveness of the Council's governance, risk management and internal control frameworks.

2 Planned and Actual Activity during 2020-21

- 2.1** Due to the pandemic and the cancellation of the Audit and Scrutiny Committee scheduled for March 2020, the Internal Audit plan for the period 1st April 2020 to 31st March 2021 was approved by the Chief Executive under delegated powers.
- 2.2** From the total of 715 planned days, 621 days (87%) were budgeted as 'productive' and allocated for carrying out audit work. A further 94 days (13%) were budgeted for 'non-productive' time: management and strategy, attendance at meetings, administration and staff training and development. Time is determined as 'productive' or 'non-productive' in line with definitions produced by CIPFA.
- 2.3** During 2020-21, 652 workdays took place; this was 63 days below target. There are two main reasons for this reduction:
 - 1. In the early months of the pandemic, particularly from April to June 2020, auditors did not carry out any new work and time was lost; some of this time was spent working on other non-audit duties to support front-line services in responding to the pandemic. The nature of these duties did not impact on the ability of auditors to offer independent assurance.
 - 2. The Senior Manager spent less time on audit duties and considerably more than planned on risk management and business continuity matters during the same

period. From June 2020, a change in the Council structure meant that additional time was spent on directly line managing the Insurance team.

- 2.4** There were 537 actual 'productive' days during 2020-21 and 115 'non-productive' days. At 82% of total actual days, this meant productive days were around 5% below the percentage target.
- 2.5** In order to compensate for the impact of the pandemic and the factors outlined at 2.3 above, the following changes were made to the approved plan:
- Museums and Heritage – delayed to 21/22 plan
 - State Aid - withdrawn
 - Transformation Programme - withdrawn
 - Community Alarms – delayed to 21/22 plan
 - CCTV in Council buildings – delayed to 21/22 plan
 - HRA planned maintenance and repairs – delayed to 21/22 plan
 - Cyber resilience – delayed to 21/22 plan
 - Performance Indicators - withdrawn
 - Social Care establishments – delayed to 21/22 plan
- 2.6** As noted at 2.5, most of the audits which were not carried out were carried forward into the 2021/22 plan which was approved by Audit and Scrutiny Committee in January 2021 and commenced from 1st February 2021. This provides additional flexibility in the timing of this audit work through to March 2022.
- 2.7** In line with the Council's defalcation procedures, all instances of suspected fraud and irregularity should be reported to Internal Audit. These are investigated by the specialist Corporate Fraud team and are not included within this annual report.

3 Audit Findings

- 3.1** All audit reports which were finalised during 2020-21 were reported to meetings of the Audit and Scrutiny Committee in September and November 2020, and January, March and June 2021.
- 3.2** A number of the audits which were reported to Committee in September would have been reported to meetings which were cancelled due to the pandemic in March and May 2020; the findings from these were reflected in the assurance statement for 2019-20 and so have not been included here.
- 3.3** The assurance levels from each of the audits were as follows:

September 2020 Committee

Audit Title	Assurance Level
ICT Assets	Limited
Library and Information Service	Reasonable
Bereavement and Burial Service	Reasonable
Commercial Refuse	Substantial
Licensing	Substantial
Carefirst	Substantial

November 2020 Committee

Audit Title	Assurance Level
Fuel Controls	Reasonable (Streetscene) Substantial (Transport)
Accounts Payable Transaction testing	Reasonable
Community Investment Fund	Substantial
Financial Intervention Orders	Substantial
Roads Procurement	Substantial
Payroll Transaction testing	Substantial
Fostering, Adoption and Kinship Carer payments	Substantial
Planning Application and Building Warrant income	Substantial

January 2021 Committee

Audit Title	Assurance Level
Remote Access controls in the Education network	Limited

March 2021 Committee

Audit Title	Assurance Level
Building Services systems	Reasonable
Fire Safety	Substantial

June 2021 Committee

Audit Title	Assurance Level
Parent Pay system	Limited
Internet and email controls	Reasonable
Information Governance and Data Protection	Reasonable
Accounts Receivable	Reasonable
Accounts Payable Transaction Testing Q4	Reasonable
Payroll Transaction Testing Q3	Reasonable
Allowances and Pay adjustments	Substantial
HRA Planned Maintenance and Reactive Repairs	Substantial

3.4 The definitions of the assurance levels used by Internal Audit are as follows:

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.

3.5 Detailed below are the most significant findings from the audit work finalised during 2020-21.

3.6 ICT Assets

There were particular concerns around:

- An absence of budget holder approval for new purchases requested through the ICT service desk, with all orders being approved by ICT
- A lack of monitoring of IT devices which had not been connected to the network for over 90 days
- Inadequate access controls to the Council's back-up data centre

3.7 Remote Access Controls around the Education Network

Audit concerns related to:

- A lack of standard ICT processes and procedures across the Council's schools
- A significant number of iPad devices which were not being managed through the mobile device management system
- Weak password controls for network logons
- The ongoing use of 'cloning' when setting up access to the network for a new employee, despite this having been stopped on the corporate network
- The lack of a robust process to properly remove ICT access when an employee has left

Education Services within the Communities Directorate have set up a working group to address all of these issues, with input from Internal Audit, and the Audit and Scrutiny Committee requested that the Service provide a full update report at the meeting in June 2021.

- 3.8** These findings, together with those from other audits carried out and the individual assurance levels detailed above, contribute to the assurance statement in section 6 of this report.

4 **Audit Resources**

- 4.1** The Internal Audit section is directly managed by the Team Manager (Internal Audit), who reports to the Senior Manager (Audit, Fraud, Safety and Insurance). The Senior Manager is responsible for Internal Audit, as well as the Corporate Fraud team, the Insurance team and the Corporate Health and Safety team.
- 4.2** As well as the Team Manager, the Internal Audit team consisted of two part-time Internal Auditors as well as a part-time Computer Auditor.
- 4.3** All staff within the section hold a relevant qualification, either through an institute which is part of the CCAB (Consultative Committee of Accountancy Bodies) or the IIA (Institute of Internal Auditors).
- 4.4** In April 2021, the Senior Manager was appointed as Head of Service (Finance and Transformation) and Section 95 Officer of the North Ayrshire Integration Joint Board, although not taking up post until June 2021. During the period of notice, an additional review of any audit report concerning the IJB and Health and Social Care Partnership was carried out by the Council's Section 95 Officer prior to issue. This was to mitigate against any potential conflict of interest on the part of the Senior Manager.

5 Performance

5.1 During 2020-21, Internal Audit provided regular updates on work carried out to the Council's Audit and Scrutiny Committee. Elected Members had the opportunity to discuss all Internal Audit reports and question either the Senior Manager or relevant officers from Council services.

5.2 The Council's performance management system, Pentana, is utilised to follow-up on audit recommendations. Officers with responsibility for implementing recommendations are required to update the Pentana system and updates are provided to the Audit and Scrutiny Committee on a quarterly basis. Where actions are overdue, officers may be required to attend the Committee to update Elected Members on plans to ensure that actions are implemented.

5.3 A range of performance indicators are used to monitor performance within the section, and these are detailed in the table below, along with the two previous years' actual figures. These are tracked by the Team Manager on a quarterly basis and are discussed with audit staff to review performance and identify opportunities for development.

	2018/19 Actual	2019/20 Actual		2020/21 Target	2020/21 Actual
% of auditor time spent productively	87%	87%		87%	82%
Training days per auditor	3.7 days	3.5 days		3.6 days	4.2 days
Final reports issued	27	27		n/a	22
Audits completed within budgeted days	41%	46%		75%	24%
Draft reports issued within 21 days of fieldwork completion	81%	85%		100%	83%
Final reports issued within 14 days of return of action plan	96%	100%		100%	95%
Actions implemented on time by Council services	83%	80%		80%	68%
Ad-hoc requests for advice from Council services	60 requests	47 requests		n/a	63 requests

5.4 Actual performance against the 'audits complete in budgeted days' indicator is significantly below target. This reflects the completion of individual audit assignments rather than the audit plan as a whole. Most audits which were over budget only exceeded the target by one or two days; only audits of Roads Procurement (5 days) and Accounts Receivable (7 days) were considerably over their target.

5.5 68% of audit actions were implemented on time by Council Services, against a target of 80%. This is the first time in a number of years that this target has been missed and reflects the fact that Council Services had other priorities during the pandemic.

- 5.6** The Internal Audit section also calculates 2 annual performance indicators which are required by the CIPFA Directors of Finance group. These are as follows:

	2018-19	2019-20	2020-21
Productive days achieved per audit plan	94.71%	96.72%	86.47%
Cost of Internal Audit per £1m of net expenditure	£466.97	£510.97	£tbc

- 5.7** The 'productive days achieved per the audit plan' were considerably lower than the two previous years; the reasons for this are outlined at 2.3 above.
- 5.8** The 'cost of Internal Audit per £1m of Council net expenditure' was £510.97 in 2019-20, a slight increase from £466.97 in 2018-19. The 2020-21 figure cannot be calculated until the closure of the Council's draft annual accounts and will be reported at a later date.

6 Assurance statement

- 6.1** This statement on the adequacy and effectiveness of the frameworks of governance, risk management and internal control is based on the audit work performed during 2020-21 as reported above. It also draws on the experience of audit work carried out in earlier years as well as assurances received from management and external audit findings.
- 6.2** Internal Audit staff have carried out work, both on a corporate basis and within each of the Service groups and, subject to the comments in section 3 above, the conclusion drawn from that work was that most of the anticipated governance, risk management and internal control frameworks were in place and operating effectively.
- 6.3** Where Internal Audit identified opportunities for improvement, the responses received from managers continued to be positive and there was commitment to implementing Internal Audit's recommendations.
- 6.4** On this basis, it is my opinion that reasonable assurance can be placed on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.

Paul Doak
Senior Manager (Audit, Fraud, Safety and Insurance)
1 June 2021

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title:	Corporate Fraud Team Annual Report 2020/21
Purpose:	To provide the Audit and Scrutiny Committee with an update report on the work of the Corporate Fraud Team during 2020/21.
Recommendation:	That the Committee notes the work carried out by the Corporate Fraud Team.

1. Executive Summary

- 1.1 The Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation.
- 1.2 Committee receives bi-annual updates on the work of the team. A mid-year update for 2020/21 was provided in November 2020 and this report provides an overview of the key achievements during the full year.

2. Background

Investigation Work

- 2.1 Referrals for investigation have been made to the team from a number of different sources, including Revenues and Benefits and Housing, members of the public and other agencies and local authorities. The publicity used by the team, including posters and leaflets, advertising on Council vans and contact information on the Council website, continues to be successful in generating a stream of referrals.
- 2.2 Investigations have been carried out across a range of areas including employee-related matters as well as Council Tax, Discretionary Housing Payments, Scottish Welfare Fund, Blue Badges and Housing tenancy issues. Although responsibility for investigating Housing Benefit fraud now lies with the DWP Single Fraud Investigation Service (SFIS), issues may be identified by the Corporate Fraud Team which can result in changes being made to benefits in payment. The team had commenced formal joint working with SFIS in cases where there are suspected frauds relating to both Housing Benefit and Council Tax Reduction, although this has been suspended during the pandemic.
- 2.3 The team received 265 referrals for investigation during 2020-21. All referrals made to the team are investigated although many can subsequently prove unfounded.

Outcomes

- 2.4 Employee-related investigations are the subject of a separate report to the appropriate Service and the findings are also reported to the Audit and Scrutiny Committee as each investigation is finalised.
- 2.5 Like many Council Services, the Corporate Fraud Team had to work in different ways throughout 2020-21. For much of the year, it was not possible to visit properties or carry out face-to-face interviews. Despite this, 287 cases were closed during the year. These can be categorised as follows:

Outcome	Number of Cases
Closed with no issues identified	155
Referred to another agency (including SFIS) or Council Service for investigation	70
Closed with results achieved	62
TOTAL	287

- 2.6 A breakdown of the fraud and error by category is shown in the table below:

Category	Value (£000)
Housing Benefit	8
Council Tax (including CTR, Single Person Discount and other recoveries)	64
Covid business support grants	10
Scottish Welfare Fund	1
Housing	9
TOTAL	92

- 2.7 The team investigates all tenancy abandonments which are referred by Housing. While Housing focus on recovering the tenancy, the Corporate Fraud Team can add value by locating the missing tenant, which can often lead to changes to benefits or discounts in payment elsewhere, as well as enabling Housing to recover costs associated with house clearances and cleaning. 18 tenancies were recovered by Housing during 2020-21 with involvement from the Corporate Fraud Team and associated financial recoveries are included within the table at 2.6 above.
- 2.8 All Blue Badge referrals are investigated; this activity was restricted due to the pandemic, but 2 warning letters were issued for misuse of badges.

Pro-active Work

- 2.9 A data match exercise was carried out using data sets from both the Council Tax system and the Payroll system. The aim of this was to identify any anomalies in the Council Tax accounts of Council employees.
- 2.10 The potential matches are currently under investigation and the outcomes from this exercise will be reported to a future meeting of the Committee.

National Fraud Initiative (NFI)

- 2.11 The latest biennial National Fraud Initiative (NFI) commenced in October 2020 with the submission of data sets to the Cabinet Office. The team co-ordinates the Council's participation in the NFI. Data matches were received in February 2021 and passed to the appropriate teams for further investigation. This exercise is due to be complete by March 2022 and the outcomes will be reported to a future meeting of the Audit and Scrutiny Committee.

3. Proposals

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

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

Environmental and Sustainability

- 4.5 None.

Key Priorities

- 4.6 The work of the Corporate Fraud Team helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

Community Wealth Building

- 4.7 None.

5. Consultation

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

Mark Boyd
Head of Finance

For further information please contact **Paul Doak, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294-324561**.

Background Papers

None.

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title: Supporting North Ayrshire Together – Update on our response to the Coronavirus pandemic

Purpose: To provide an update on our response to the Coronavirus pandemic.

Recommendation: That the Audit and Scrutiny Committee notes our response to the Coronavirus pandemic so far.

1. Executive Summary

- 1.1 The “Supporting North Ayrshire Together – Update on our response to the Coronavirus pandemic” report attached at Appendix 1 provides an update to the original “[Supporting North Ayrshire Together](#)” report presented to the Audit and Scrutiny Committee on 9th March 2021. It provides an overview of how our Council has worked alongside partners and communities to respond to the Covid-19 pandemic as at 23rd March 2021 (one year since the initial lockdown period).

2. Background

- 2.1 At Quarter Two our half yearly performance progress reporting was enhanced to include a comprehensive update on our response to the Coronavirus pandemic. The Quarter Two report was approved by Cabinet before being presented to Audit and Scrutiny on 9th March 2021.
- 2.2 The Audit and Scrutiny Committee requested an update to the report for their meeting on 1st June 2021. The Corporate Policy, Performance and Elections Team have created the attached report to include information up to 23rd March 2021, marking a full year since the initial lockdown period.
- 2.3 Due to lead in times the report has not been viewed by Cabinet. Therefore, to ensure Cabinet have full visibility of the updated report it will be included in our end of year Council Plan Progress Report as an appendix. In addition, we have been mindful to only include updates relating to our Covid-19 response in this report rather than Council Plan progress.

3. Proposals

- 3.1 That the Audit and Scrutiny Committee notes our response to the Coronavirus pandemic so far.

4. Implications/Socio-economic Duty

Financial

- 4.1 There are no financial implications.

Human Resources

- 4.2 There are no human resource implications.

Legal

- 4.3 There are no legal implications.

Equality/Socio-economic

- 4.4 There are no equality/socio-economic implications.

Environmental and Sustainability

- 4.5 There are no environmental and sustainability implications.

Key Priorities

- 4.6 This report helps to demonstrate delivery of our Council's strategic priorities.

Community Wealth Building

- 4.7 There are no community wealth building implications.

5. Consultation

- 5.1 Feedback from the Executive Leadership Team (ELT) informed the content of this report.

Andrew Fraser
Head of Democratic Services

For further information please contact **Isla Hardy, Corporate Performance Services Lead (Corporate Policy, Performance & Elections)**, on IslaHardy@north-ayrshire.gov.uk.

Background Papers

Our Response to the Coronavirus Pandemic and Progress Report September 2020



Supporting North Ayrshire Together Update on Our Response to the Coronavirus Pandemic

March 2021

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The Corporate Policy, Performance and Elections Team welcome any feedback you may have. We strive to make our Council and reports as accessible as possible and appreciate opportunities to discuss how this can be achieved. For further information please contact:

The Corporate Policy, Performance and Elections Team
 Tel: 01294 324648
 Email: NorthAyrshirePerforms@north-ayrshire.gov.uk



Our Response at a Glance

During their first year, our
Community Hubs

Received **33,152 calls**
(65% for food access)

Made **96,465**
food deliveries

Collected **13,713**
prescriptions

We provided
60,000 shopping
vouchers worth
£1.7million

to children eligible
for free school
meals

Holiday Hunger provided food
for eligible children during
school holidays plus

**£100 Christmas &
Spring Hardship
Payments**

We visited 1,247
children a total of
7,333 times
(September to December)

To ensure our pupils
could access online
learning we provided

3,194 iPads,
Chrome Books,
**Wi-Fi routers &
SIMs**



Childcare Hubs cared for
an average of

1,002 children
in January & February



Since April we've provided over

4 million items
of PPE

including over
1 million masks

Over £14 million
in grants
distributed to local
businesses since
September

We supported 285
residents into
employment & aim
to secure 50
Modern
Apprenticeships
(2020-21)

Up to
560 visits per week
to our
Health & Wellbeing
Hubs
for Care Home & Care At
Home employees

Average of
240
Environmental
Health &
Trading Standards
interventions per
month
to protect our residents

Welcome

This report marks a full year since we entered lockdown in March 2020. Throughout the past 12 months we have witnessed the dedication of our teams, communities and private, public and third sector partners in supporting the people of North Ayrshire in the most difficult of circumstances. We continue to be incredibly grateful to everyone for continuing to support our communities and businesses during this exceptional time.

In September we provided a summary of our joint response during the first six months of the Covid-19 pandemic in our report "[Supporting North Ayrshire Together](#)". Now, in March 2021, most of our teams are working remotely, while some frontline services continue and others find innovative new ways of providing services.

This report provides an update on our response to the pandemic. Progress on the delivery of our Council Plan priorities will be provided separately through our end of year performance reporting.

Supporting Our Communities

Community Hubs

Our Community Hubs continue to support our residents by providing access to food, prescriptions and other assistance. During their initial year they have received 33,152 calls, made 96,465 food deliveries, collected 13,713 prescriptions and directed 3,746 enquiries to other services. Each team has worked tirelessly to support their communities including some of our most vulnerable residents.

Access to food has by far been the most common reason for our residents to contact our Community Hubs, amounting to 65% of all calls received. This is followed by isolation support (13%) and health advice (6%). The Community Hubs also offer support with financial advice, period poverty and signposting to other services.

Due to the impact our Community Hubs have had and our long standing partnership with the Carnegie UK

Trust, we contributed to the Trust's [Covid-19 and Communities Listening Project: A Shared Response report](#). The report explores the experience and knowledge gained from the response to the Covid-19 pandemic as well as potential new ways of working.

Food Provision

"To All of you,

...We can't thank you all enough. There are simply no words to describe how devastating this has been for everyone and for a team of hard working people to keep my family fed and make sure everyone in North Ayrshire has help is more than I could have ever imagined.

The staff put themselves at risk to support my family and many many others in a time of uncertainty in their own lives... ...I wish there was another way of thanking you all??

Please take care, stay safe and know that my family will never forget what the Council and its hard-working hands of staff have done!"

In addition to Community Hubs, our Food Hubs led by our Physical Environment Service and supported by our Contact Centre, have provided 60,000 shopping vouchers for children eligible for school meals since July 2020, worth £1.7 million.



The Three Towns Community Hub Team

Prior to the move to a voucher scheme, our Food Hubs delivered the equivalent of 1.26 million meals to families across North Ayrshire.

For children and young people returning to school in August 2020, we ensured a good selection of hot meals were available from the first day to encourage pupils back into the dining halls. We recognise the importance of social activity within dining halls in supporting our school children's wellbeing. To aid this, we introduced staggered lunch breaks to manage bubbles safely and ensure children felt safe in their environment.

Our **Holiday Hunger initiative** continued to help feed families during the October and Christmas school holidays by providing vouchers worth £20 per week for each child. We also provided £100 payments for each child in receipt of free school meals in December to help support them over the Christmas holidays. This was followed in March by £100 Spring Hardship Fund payments for eligible families including those with pre-school children.

During the phased return of secondary school pupils in early 2021, we provided a full menu selection in schools as well as £20 shopping vouchers to all pupils eligible for free school meals.

The pandemic further highlighted that many of our residents need better access to good quality

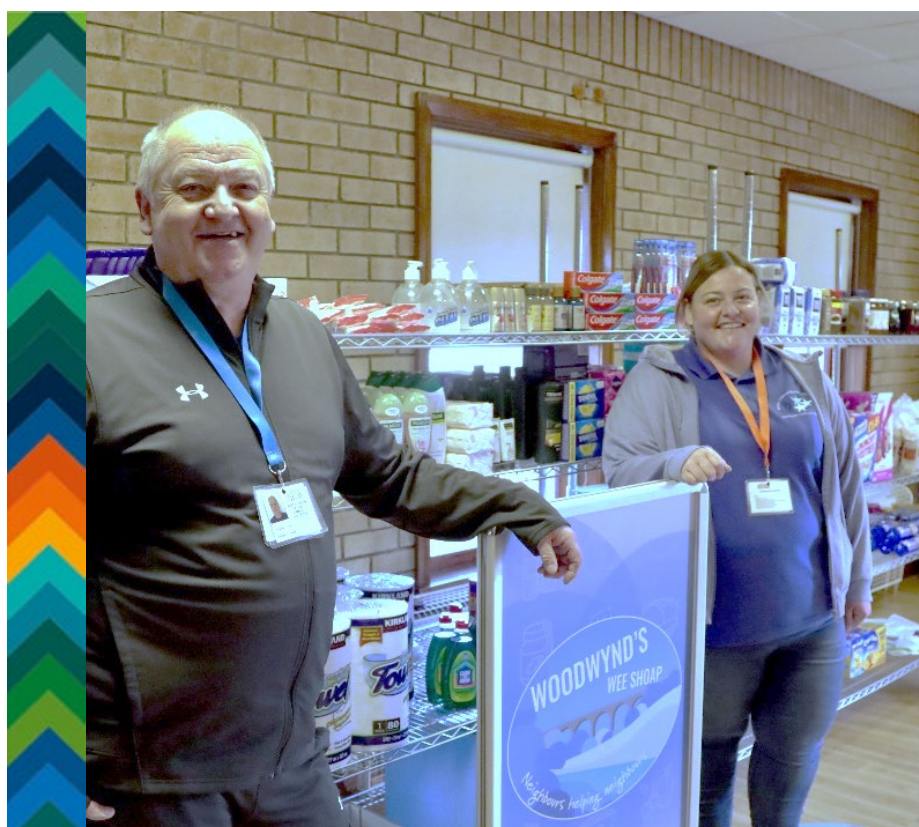
affordable food. Our North Ayrshire Food System network has been launched as **"North Ayrshire Fairer Food"** to meet this ongoing need. The Whitlees Quaint Larder, Ardrossan South Larder, Woodwynd's Wee Shoap and Cranberry's Community Larder introduced their pantry initiatives, with more planned from April.

These use a membership system to provide a mini supermarket-like environment where our residents have the opportunity to choose their own food and top up their weekly food shop. This dignified approach to addressing food insecurity helps make our residents' money go further by giving them access to good food at lower cost.

Childcare Hubs

Our schools and Arran Community Hub became Childcare Hubs for children of key workers as well as our children and young people who required more support. They enabled our key workers to continue with their crucial frontline services knowing their children were being looked after, while supporting our vulnerable children and young people.

The average number of pupils attending the Childcare Hubs during the first lockdown period was 523. This rose to 1,002 across our primary, secondary and additional support needs schools in January and February 2021.



Woodwynd's Wee Shoap

Children who attended our Childcare Hubs were given the same schoolwork as those learning from home, with class teachers providing remote learning.

Education

Our schools moved to remote learning in January, with a mix of online and paper-based resources provided. Pupils in need of digital devices were provided with them alongside internet access. Phased reopening of our schools commenced on 22nd February.

All our schools have access to asymptomatic Covid-19 testing kits. The voluntary home testing programme aims to reduce related risks in schools and help keep our teams, children and young people as safe as possible.

We continue to work towards our vision of being a nurturing authority through our “Nurturing North Ayrshire’s Recovery” approach by building emotional resilience in children and developing stronger relationships. Following lockdown, it was found children who had experienced nurture approaches coped well with the return to school.

To ensure our pupils could access online learning we provided:

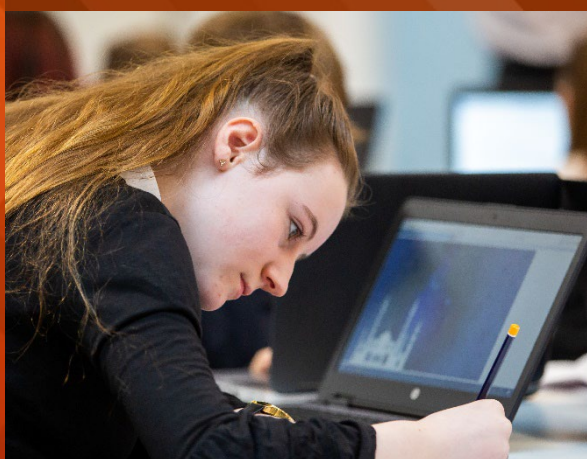
1217 Wi-Fi iPads

189 cellular iPads

306 Wi-Fi units

900 Chrome Books

582 anywhere SIMs



In 2021 our senior pupils’ final grades for Scottish Qualification Authority (SQA) qualifications will be estimated grades based on pupil class work and tests. Each grade will be quality checked in school and through SQA sampling. Estimated grades will be submitted to the SQA in June and pupils will receive their awards in August 2021.

The Professional Learning and Leadership Development initiative within the Communities and Education Directorate launched a new podcast “Let’s Chat Leadership”. In each episode, they discuss current issues influencing educational leadership including the power of facilitation and coaching.

Period Poverty

Our pupils were offered a subscription service for two to three months’ supply of free period products. This allowed primary and secondary school pupils to register for products, including sustainable options, for delivery to their home address.

Our Young People

Our first fully online Joint Cabinet took place in November and involved 110 young people from across our secondary schools. They were joined by our Council Cabinet, senior officers, Members of the Scottish Youth Parliament (MSYP) and the Youth Council Executive. Our young people shared their views on the issues that really matter to them including their community, digital connectivity, employability and health and wellbeing. These will inform our post Covid-19 recovery and renewal.

The Joint Cabinet session announced two successful funding bids totalling £120,000 from the Youth Work Education Recovery Fund for youth projects in North Ayrshire. A joint funding submission with the National Portrait Gallery, North Ayrshire Alcohol and Drugs Partnership, our Health and Social Care Partnership and our Youth Services team was successful in securing £60,000 from the Youth Recovery Fund. This will explore artist interventions that could be used in local communities to improve mental health and wellbeing. The remaining £60,000 will be targeted towards a range of smaller initiatives benefitting our young people, including family learning, mental health support, food provision and outdoor experiences.

With libraries and community centres closed, Library Services worked alongside the Health and Social Care Partnership to coordinate the Christmas Gift Appeal and allocate gifts to families across North Ayrshire.

DigiDream Digital Quiz

During lockdown all face to face youthwork activities were cancelled. Having consulted with our young people and partners we created the live Wednesday online quiz on Facebook. This allowed us to host the quiz and have live chats with our young people including answering any questions.

We adapted the format of the quiz to include two British Sign Language interpreters, to support our deaf young people taking part.

The Wednesday Quiz has had 46,559 attendances with 4,648 people interacting with the posts. We have 35 to 40 families regularly taking part in the quiz.

Covid-19 Testing and Vaccination

Our Health and Social Care services continue to adapt and change their normal working practices to ensure compliance to the national restrictions whilst continuing to deliver essential services to our most vulnerable residents.

We saw increased levels of Covid-19 testing across Health and Community Care services, including the introduction of lateral flow testing in care homes for employees and essential visitors.

We established rapid Covid-19 testing centres for those who are not experiencing symptoms to identify positive cases more quickly.

Our Covid-19 employee vaccination programme began with the first priority groups such as Care Home employees. This will be extended further to other employee groups.

Partnership working across teams has remained essential, with Connected Communities venues and employees working within vaccination centres to support the successful delivery of the vaccination programme. Approximately 900 vaccinations are given each day at one site.

Many of our employees were seconded to the NHS for the delivery of the Test and Protect service for a period of six months.

Child Protection

Between September and December our Children and Families Team visited 1,247 children a total of 7,333 times. Of these visits, 3,965 related to particularly vulnerable children. We also made 4,219 telephone calls and 222 online contacts.

The Child Protection Committee offered a range of e-learning modules for employees and partners to ensure all our teams are confident in recognising the signs of a child or young person at risk of harm and how to report this. In addition, we launched a social media campaign to raise awareness of child protection. This resulted in an increase in the number of calls relating to child welfare from members of our public.

In February our Fostering Service publicised the need for additional foster parents for children as a result of the pandemic.

Further Activities

In March a £100,000 Community Renewal and Recovery Fund was launched to support the third sector due to the challenges faced during the pandemic. The short-term fund from the North Ayrshire Ventures Trust will help organisations over a six-month period while more sustainable funding solutions are explored.

We supported the White Ribbon 16 Days of Action campaign online with our partners by showcasing a series of films, books, television programmes and podcasts, addressing issues of violence against women.

We launched our 'Let's Do This' campaign in November asking everyone to support North Ayrshire in suppressing the virus.

KA Leisure provided access to online classes and limited use of gym facilities, swimming pools and some indoor sports between October and December. The pandemic continues to have a significant impact on KA Leisure's operations.

On Tuesday 23rd March we marked the National Day of Reflection on the one-year anniversary of lockdown by collectively pausing for a minute's silence. The flags at our headquarters in Cunninghame House were flown at half-mast. We illuminated Saltcoats Town Hall and the Portal in a symbol of respect and solidarity to all those who have been affected by the pandemic.

Since April 2020 we have distributed
over 4 million items of PPE

to care providers, care homes, unpaid carers and personal assistants. This includes:

2,223,600
gloves

714,906
disposable
aprons

1,086,150
masks

7,377
bottles of
sanitiser
(1,531.7 litres)

13,445
pieces of
eyewear

958
lateral flow
tests
(since January)

Access to Culture

With our venues currently closed to the public, we have been finding new ways of providing access to our services.

Our Harbour Arts Centre has hosted a series of [virtual exhibitions](#).

Our Culture and Heritage Team worked with Irvine Burns Club to produce a Virtual Burns Celebration.

[Our Library Borrow Box](#) is available for residents to borrow eBooks and eAudiobooks online or through the app. The Home Library Service restarted in May to December and supported our most vulnerable residents. A call, click and collect service was established across our libraries from August to December.

We introduced Climate Kindness during the October holidays where the Arts, Heritage, Countryside Rangers and Library teams developed a series of environmental challenges on social media.



Employability Services

Employability services have moved their services to mostly digital forms of engagement since the pandemic began. The team have provided vital wellbeing support to vulnerable residents and has also managed to secure employment for over 285 residents by the year end despite a significant reduction in opportunities locally.

We have continued to deliver our Modern Apprenticeship programme to ensure opportunities for young people to work within our Council are sustained during the pandemic. Priority has been given to opportunities in the outdoor environment with the aim of fulfilling the annual 50 apprenticeships target.

We are a Gateway provider of the Kickstart programme, a national programme established in response to increasing levels of unemployment. By the end of March this year, local businesses had come forward seeking Kickstart support for over 400 jobs. These are currently in the system with significantly more to follow.

New funding streams have been secured to assist employability services to respond to the expected rise in unemployment in the next year and plans are in

development to build capacity across the service including additional redundancy support, key worker capacity, significant new incentives for employers to recruit and provision of laptops for young people to address digital exclusion.

Supporting Our Businesses

Financial Support

Due to Covid-19 restrictions and the need to assist in the management and distribution of additional financial support to businesses, the Business Team has diverted normal activity to assist with the distribution of Business Support schemes on behalf of the Scottish Government. The Business Team and Revenues Team have managed and administered the following Business Support Schemes since September:

Large Self-Catering Grant

This £2,000 per property grant was available for businesses with a property that accommodates seven or more people

for which they pay Non-Domestic Rates. We have been allocated £182,000 for this fund and estimate that this will be fully allocated. Applications are still being processed and the final figure will be confirmed in early April.

Exclusive Use Properties Grant

This £10,000 grant is for businesses evaluated by the Scottish Assessors Association as an "Exclusive Use Venue" providing overnight accommodation and who pay Non-Domestic Rates. The Scottish Government identified eligible properties, of which one is within North Ayrshire.

Coronavirus (Covid-19) Restrictions Fund

The purpose of this fund was to support hospitality and other businesses (excepting takeaways) required to close by extended Covid-19 restrictions up to 2nd November 2020. The Business Development Team and Revenues Team assessed, approved and administered 194 grants to eligible applicants via this Fund totalling £598,880.

Strategic Framework Business Fund

The Strategic Framework Business Fund (SFBF) provides grants to businesses that were required to close by law, or significantly change their operations due to Covid-19 restrictions from 2 November 2020.

The Business Team and Revenues Team assessed, approved and administered support to over 1,100 businesses via this fund totalling £12,873,700 (including Top Up Payments for Retail, Hospitality and Leisure businesses).

Furlough Top Up Fund

This fund relates to the 20% contribution that businesses were initially expected to make towards October employee furlough payments. The decision was reversed and companies were compensated. The Business Team and Revenues Team assessed, approved and administered 99 grants to eligible applicants via this fund totalling £163,350.

North Ayrshire Council Discretionary Fund

This fund was established to support businesses that were ineligible for support under the SFBF Fund. This fund provided a payment of £2,000 to eligible applicants. To the end of March this year, 126 Grant awards had been processed, totalling £252,000.

Bed and Breakfast Support

This support was offered in three stages. The first two stages consisted of a £2,000 per four-week period grant for eligible Bed and Breakfast businesses that do not pay Non-Domestic Rates but pay Council Tax. This support ran from early January to 31st March 2021 and is in addition to earlier Covid-19 support for the eight eligible businesses in North Ayrshire.

The third stage is to benefit eligible businesses not benefitting from stages one and two. So far, we have administered £60,000 of grants under this stage of the scheme.

Keep It Local

We encouraged our residents to spend locally at Christmas and use local supply chains to support our local economy. The 'Keep it Local' campaign is part of the Council's wider Community Wealth Building approach to encourage local spend and investment to support employment.

Protective Services

The Trading Standards and Environmental Health teams, in addition to ensuring the general safety of our residents and businesses as usual, have been on the front line of our Covid-19 response. In conjunction with our partners, the teams have been providing both proactive and reactive Covid-19 advice, carrying out compliance visits and taking enforcement action where required. This equates to an average of approximately 240 interventions per month.

Island Recovery and Renewal Pilot

We have worked with Scottish Government and Highlands and Islands Enterprise to jointly fund an Island Recovery and Renewal Pilot. Though approved prior to the pandemic, the pilot is central to recovery as Covid-19 highlighted the vulnerabilities of island economies - in particular, their dependency on ferry transportation and the tourism sector.


A dedicated Senior Officer for the Islands was appointed in February 2021 and is working in partnership with island communities, businesses and wider local and national partners to trial new ways of working and develop Island Plans for both Arran and Cumbrae. [The Fraser of Allander Institute research on the Arran economy](#) we commissioned and published in September will support this approach and we are working to produce a socio-economic profile for Cumbrae.



Our Council Operations

The fast-moving nature of the pandemic and its impact means high quality immediate communication with our residents, businesses and employees continues to be essential. Our website is constantly updated with the most recent information. As well as utilising local media, our social media channels saw substantial growth during this period in terms of followers and engagements, reaching our residents as quickly as possible.

Between April 2020 and the end of February 2021, our social media following grew by 7,750 and our posts have been seen over 13.4 million times an increase of 46% on the previous year. We have issued 1,177 posts relating to Covid-19. These have been seen over 6.8 million times and achieved 686,000 engagements.



Our 2020/21 Budget engagement was carried out online to ensure our communities could contribute to the discussions. Our Council Leader Joe Cullinane and Chief Executive Craig Hatton hosted a [live Question and Answer Session on Facebook](#). This enabled residents to hear directly about our budget plans for 2021-22, our response to the Covid-19 pandemic and the measures we are putting in place to ensure that we build back better as well as providing the opportunity to ask any questions. The session has been viewed over 13,000 times.

Our Sensory Impairment Team launched a new Facebook group to share important updates and information. This includes links to information from the Scottish Government and NHS in British Sign Language (BSL) as well as providing online opportunities for socialising and sharing advice. Our Locality Teams established Virtual Community Centres for each Locality area in order to support local groups and organisations with delivery of events, activities and sharing of information.

Services Update

We are proud to be one of the few local authorities to provide a full waste collection and recycling service throughout the pandemic, despite resourcing challenges and significantly higher amounts of household waste being generated as people adhered to the lockdown restrictions and spent considerably more time at home. Our environmental enforcement teams continued to work tirelessly to tackle fly-tipping and have issued 438 Fixed Penalty Notices to fly-tipping offenders during 2020/21 to deter this.

"I want to thank the staff at Bartonholm. Like everyone, I wasn't feeling particularly jolly today. I was met with pleasant smiles and one man made me laugh out loud with his joke about onion layers. The area is well kept, the staff are helpful and efficient.

So thank you."

The introduction of extensive traffic management and safety measures at our Household Waste Recycling Centres following the national re-opening in June 2021 continues to protect our visitors and employees.

During the winter weather our Roads Service was able to provide our normal gritting service, including throughout a prolonged spell of cold weather in early January when our gritting fleet was out around the clock.

Housing emergency and urgent repairs are being carried out within the approved timescales and our capital programme has continued to be delivered, with some reprofiling of projects to focus on external work where internal work has not been possible. Our Homeless and Community Safety Service continues to ensure our homeless residents and those requiring temporary accommodation are housed safely and are fully supported.

While grounds maintenance focused on essential areas during the lockdown period last year, our open spaces were all quickly recovered back to their normal standard in May 2020 and will be maintained as normal during the spring/summer growing season this year.

Our Transport Hub has provided support to NHS colleagues in transporting patients requiring critical care to and from hospital, and also transported a number of vulnerable residents to their vaccination appointment.


Customer Services

Many of our teams have provided essential support to our frontline services during the pandemic.

The Customer Contact Centre has been closed to the public since March 2020, but adapted to provide critical services online. During the past year it has been:

- Delivering a Registration Service remotely for birth and death registrations, with a seven-day service provided during the peak of the pandemic.
- Managing our support line and National Helpline to assist our most vulnerable and shielding residents.
- Issuing vouchers during school closures to children entitled to free school meals and providing parent support.
- Administering winter and spring hardship payments.
- Making proactive calls to check the wellbeing of self-isolating residents, offer support and administer the Self-Isolation Support Grant Payments.
- Providing support and advice in relation to Council Tax, Benefits and the Scottish Welfare Fund.

In addition, the Benefits Team have worked additional hours to meet the vast increase in their workload and ensure all benefits applications are processed quickly to limit the impact on our claimants.



Our Licensing Service extended licences in relation to taxi and other civic government licences which were about the expire. We agreed to extend these in line with the national extension of MOTs. We also agreed that all holders of premises liquor licences could delay payments due in October 2020, to the end of March 2021.

Scottish Parliamentary Elections

Preparations for a Covid-19 Safe Scottish Parliamentary Election are in progress. The restrictions mean a considerable amount of additional preparation is taking place to ensure a safe environment for voters, candidates and those working at the election.

We have published information on our website and social media channels to assure residents of the steps being taken so they can cast their votes safely on Thursday 6 May 2021. This includes our standard guidance on registering to vote and obtaining a postal or proxy vote.

Our Workforce

Most of our employees have now worked remotely for a full year. Our ICT Team have ensured our employees can continue to collaborate, such as through video calling, throughout the pandemic. The swift transition to home working built on the extensive work already undertaken through our Digital Strategy. This included promoting agile working, the rollout of Microsoft Office 365, creation of “Digi Guru” technical support within teams and the provision of appropriate devices from 2017.

The ability of all our teams to adapt their operations during the past year has been exceptional. This includes our supporting services who have adapted to provide critical services to ensure the core functions of our Council continue. On many occasions employees have been temporarily moved to other roles to ensure we meet the needs of our residents.

Ensuring our employees are supported has been key to delivering services through such a challenging time. We promoted our Covid-19 Frequently Asked Questions every week to all employees. This included a summary of advice regarding Covid-19 as well as other information such as how we would work with our employees to provide flexible working arrangements to support home schooling. This comprehensive document has become the key source of information for our teams.

Our Council Leader Joe Cullinane and Chief Executive Craig Hatton held online ‘Fair Say’ engagement sessions

to update teams on Council business and enable colleagues to ask any questions.

We launched our new Staff News website, making it easier for our teams to receive information including regular video updates from our Chief Executive.

We issued over 50 shout-outs on social media for individual colleagues and teams to recognise their exceptional work throughout the pandemic.

The wellbeing of all our employees continues to be a key priority for our Council. We introduced our Wellbeing Warriors - volunteers from teams who are then trained in Mental Health First Aid to support colleagues through listening or signposting them to services.

All our employees are regularly updated with information on how to support their health and wellbeing. Occupational Health provides information, support services and advice on a range of topics, while our Live Well programme provides opportunities to maintain a healthy lifestyle including mental and physical wellbeing.

Our new more efficient online Occupational Health portal was launched for occupational health referrals and reports. This service provides online access to information and guides for employees and managers and supports our digital agenda.

Our DrEAM (Drop Everything and Move) initiative was launched to remind us to take time to be active and ensure that we take appropriate breaks.

Our Health and Social Care Partnership Staff Wellbeing Hub at the Training Centre, Ayrshire Central, remained open to all our partnership employees. The Hub operated a drop-in service with teams experienced in offering confidential peer support.

Five of our libraries hosted our Health and Wellbeing Hubs for care home and care at home employees. There were up to 560 visits per week. This has been highlighted in the Carnegie UK Trust report [Making a Difference: Libraries, Lockdown and Looking Ahead](#).

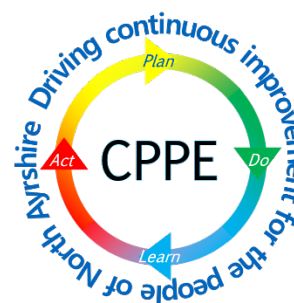
We have signed up to the Scottish Government’s Coronavirus Fair Work statement, which ensures our employees will get time to attend their vaccination appointment.

All of this support puts our teams in the best position to continue to deliver excellent services alongside our partners during this exceptional time.



For further information please contact:

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NORTH AYRSHIRE COUNCIL

1 June 2021

Audit & Scrutiny Committee

Title:	Growth & Investment Governance Framework
Purpose:	To seek approval of North Ayrshire Council's internal governance arrangements for managing the Growth and Investment project development stages, including Ayrshire Growth Deal projects.
Recommendation:	It is recommended that members approve the Growth & Investment Governance Framework.

1. Executive Summary

- 1.1 The Growth & Investment team was established within North Ayrshire Council in 2019 as part of an organisational restructure to maximise the potential of major programmes of investments in North Ayrshire, including capital projects funded through the Ayrshire Growth Deal. Growth & Investment focuses on investment in key development locations including Great Harbour and i3 (both Irvine), Hunterston and Ardrossan North Shore and Harbour; as well as key sectors including visitor economy, marine tourism and blue economy development. While there are established governance arrangements at a regional level, as part of the development of delivery of these programmes, it is essential to have a robust internal governance system in place within North Ayrshire Council. This report seeks approval for a Governance Framework (Appendix 1), which sets out a framework to support internal programme and project management procedures to provide robust and effective programme and project delivery mechanisms.

2. Background

- 2.1 While the Ayrshire Growth Deal establishes regional governance arrangements, the scale and complexity of the programmes and projects within the Ayrshire Growth Deal, and their colocation with other significant investments and activity, mean there is a requirement for internal governance to provide the Council with assurance of effective and robust development and delivery of programmes and projects.
- 2.2 As such, the Governance Framework (Appendix 1) has been developed to provide a system of governance to support internal programme and project management procedures, reporting, risk treatment and escalation. The Framework has been developed to align with best practice and industry standard programme and project management governance systems.
- 2.3 Given the complexity of the programmes of investment, the model was developed and implemented over the course of 2020/21 with input from the Council's Senior Manager

for audit. This was intended to provide a 'live testing' of the arrangements to enable the governance model to evolve in response to issues arising through implementation. A final review of the arrangements was undertaken in April 2021, reflecting on issues arising through implementation, with further input from the Council's Senior Manager for audit.

- 2.4 It should be noted that regional governance arrangements are not duplicated in the Governance Framework; but reference is made, within the Governance Framework, to regional governance arrangements, along with arrangements to access regional governance through the Ayrshire Growth Deal website. This ensures that the Framework remains up to date, even if changes are made at a regional level.
- 2.5 It is recommended that annual monitoring of progress in delivering the Ayrshire Growth Deal within North Ayrshire also considers any issues arising that give rise to a need to update governance arrangements, given that the complexity involved in some projects and programmes may demand change. Any such future modifications would be presented to the Audit & Scrutiny Committee for consideration and approval as required.
- 2.6 As outlined above, the governance mechanisms are developed to best practice standard and it should be noted that the governance arrangements proposed are in line with best practice findings in the [Audit Scotland report: Scotland's City and Regional Growth Deals](#), which was the subject of a previous Audit & Scrutiny Committee [report](#) in November 2020.

3. Proposals

- 3.1 It is recommended that members approve the Growth & Investment Governance Framework.

4. Implications/Socio-economic Duty

Financial

- 4.1 The Governance Framework provides governance mechanisms for the implementation of Ayrshire Growth Deal and related projects, including financial management procedures.

Human Resources

- 4.2 No direct implication.

Legal

- 4.3 No direct legal implications, however, the proposed governance arrangements, including risk and financial controls, will protect the Council.

Equality/Socio-economic

- 4.4 No issues arising.

Environmental and Sustainability

4.5 No issues arising.

Key Priorities

4.6 The proposals meet a number of the Council Plan priority outcomes, including:

- North Ayrshire has an inclusive, growing and enterprising economy
- North Ayrshire has active and strong communities
- North Ayrshire is well-connected with effective infrastructure
- North Ayrshire is a sustainable environment
- North Ayrshire is a vibrant, welcoming and attractive environment

Community Wealth Building

4.7 Community wealth building and regional skills programmes within the Growth Deal are also being advanced, which will assist the implementation, and impact of projects to be targeted to maximise opportunities to create local community wealth and inclusive growth. Governance arrangements being developed, regionally and locally will consider community wealth building.

5. Consultation

5.1 No consultation has been undertaken in preparing this report.

KAREN YEOMANS
Director (Growth & Investment)

For further information please contact **Neale McIlvanney, Strategy & Programme Manager**, on **01294 324686**.

Appendix 1 – Growth & Investment Governance Framework

GROWTH & INVESTMENT GOVERNANCE FRAMEWORK

May 2021



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

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Introduction

The Growth & Investment Governance Framework provides detailed governance arrangements for the operation of the work of the programme of capital and revenue activity led by Growth & Investment, the integration of arrangements for the management of Ayrshire Growth Deal project development and integration with wider programme activity that seeks to maximise the economic impact of the Growth Deal.

This document provides:

- Reference to the roles, remit, functions and responsibilities falling with Growth & Investment;
- Internal governance arrangements for providing robust scrutiny and project development and reporting mechanisms, relating to all officers involved in projects – ranging from projects officers to chief officers
- All Ayrshire regional governance arrangements including those relating to: -
 - Ayrshire Growth Deal (and finance and programme management arrangements)
 - Ayrshire Economic Partnership Board
 - Ayrshire Joint Economic Committee
- Risk Management Approach
- Programme reporting and projects management including: -
 - Approach to development and approvals of business cases
 - Project management templates (programme overview, risk log, finance tracking and action log)
- Regional and local audit and scrutiny arrangements
- Change Process for managing project change that arises throughout the delivery of the programmes

North Ayrshire Council: Growth & Investment

The priorities of the Growth & Investment are embedded into the [North Ayrshire Council Plan 2019-2024](#).

Growth & Investment

By the very nature of the work and receptibilities of Growth & Investment necessitates an approach based on collaboration and partnership working across the Council and other stakeholders. Significant influencing responsibilities and capability will be required to successfully deliver the remit.

The key outcomes for Growth & Investment are: -

- To direct and coordinate investment and programme delivery of activity at the following locations: -
 - I3 Irvine
 - Hunterston
 - Ardrossan (incl Harbour, Marina, North Shore and town centre links)
 - Great Harbour, Irvine & Ardeer Peninsula
- Support the delivery of the Council Plan
- Support the Regional Economic Partnership in delivery of identified priorities, where related to Growth & Investment core functions.
- Lead the Council's development and delivery of Ayrshire Growth Deal capital projects
- Support leveraging investment through the Ayrshire Growth Deal.
- Responsibility for the visitor and coastal economy
- Lead the development of a sector strategy for the blue economy
- Leading, and working with other directorates, the economic growth components of the Council's commitment to being a net zero carbon Council by 2030, including the strategic positioning of Hunterston, IMSE and other investment programme activity being capable of shaping and influencing national, regional and local policies and decision-making around clean energy
- Support the Council's engagement with the Ayrshire regional economic partnership
- Embed community wealthbuilding into the Growth and Investment activities.

Core Investment Programmes

There are a number of core investment programmes that sit within the Growth & Investment's responsibilities. The Ayrshire Growth Deal Investment sits within those programmes and acts to catalyse significant leverage investment in a range of other activities to maximise the transformational impact of our investments.

The core investment programme includes the following strands:

Table 1 Core Investment Programmes (Capital)

Core Investment Programme	Constituent Projects
Ardrossan Estimated Programme Value C£150m	<ul style="list-style-type: none"> • Harbour (both land and marine infrastructure) • Ardrossan Community Campus (Executive Director Communities as project lead – though land implications relate to ANS so also requires G&I oversight) • Ardrossan North Shore (Inc. campus, coastal path, IMSE, potential residential use, remediation) • International Marine Science and Environment Centre • Ardrossan Marine Expansion • Hotel • Town centre enhancement • Low carbon hub
Great Harbour Estimated Programme Value C£100m	<ul style="list-style-type: none"> • Maritime Mile (including marina, gateway features and boardwalk) • Great Harbour Place Framework • Affordable Housing (Project responsibility of Place Directorate) • Oversight of any potential future Ardeer Peninsula projects
i3 Estimated Programme Value C£100m	<ul style="list-style-type: none"> • Digital Processing Manufacturing Centre Phases 0, 1 & 2 • Flexible Space Phased development • i3 Masterplan, including strategy for digital and clean energy provision within i3. • Strategic Investment Campus • Inward Investment Enquiries
Hunterston Estimated Programme Value C500m	<ul style="list-style-type: none"> • Development of a strategic proposition for Hunterston • Development of a ministerial taskforce for Hunterston and administration of programme arrangements • Socio-economic analysis of impact of accelerated nuclear decommissioning at Hunterston B station and development of a decommissioning strategy (led through Place) • Project Delivery Vehicle • Development of a phase 1 enabling Hunterston PARC innovation hub • Development of a site framework for Hunterston PARC to enable wider site activity and development • Partnership Working (Peel Ports Group, Crown Estate Scotland & Scottish Enterprise) • Inward Investment Enquiries
Marine Tourism Estimated Programme Value C£14m	<ul style="list-style-type: none"> • Ardrossan Marina (oversight within Ardrossan Programme) • Arran transit facility • Cumbrae transit facility • Making Waves Implementation • Coig Support • Events Programme
Digital Estimated Programme Value C£11m	<ul style="list-style-type: none"> • Subsea Cable • Digital infill programme

Regional Programmes (Revenue)

Although primarily the responsibility of the Place Directorate, Growth & Investment will support the development of regional skills and community wealth building Ayrshire Growth Deal programmes as appropriate.

Table 2 Regional Programmes (Revenue)

Community Wealth Building	Regional Skills and Inclusion
<ul style="list-style-type: none"> • CWB Business Locality Officers • CWB Fund • Fair Work Ayrshire 	<ul style="list-style-type: none"> • Working for a Healthy Economy • Skills Fund

Governance Framework

Executive Leadership Team

To support the ongoing programme approach to the core investment programmes, within which the Ayrshire Growth Deal projects sit, the Council's Executive Leadership Team will monitor Growth and Investment programme activity. The role of the Executive Leadership Team related to Growth & Investment will be to: -

- Receive updates on activity and project development on activity related to core investment programmes in an agreed project reporting template inclusive of key performance indicators to be developed through Programme Boards.
- To have regular oversight and input into project development related to activity falling within the core investment programmes, and to ensure that senior officers are aware of, and can steer, project concept development and risk and financial management of those projects. Headline progress on development of projects, high profile or escalating risks and key actions will be presented to, and considered by, ELT.
- Provide feedback to officers on draft business cases related to the development of projects – including those required for the drawdown of Ayrshire Growth Deal grant funds. ELT feedback will be sought on draft business cases, both prior to circulation of same to the Ayrshire Growth Deal Project Management Office; and prior to seeking formal approval of business cases from Cabinet and Ayrshire Economic Committee (Note: AEC approval only sought for approval of full business cases for Ayrshire Growth Deal).

Programme-Level Strategic Boards/ Project Boards

In addition to reporting programme headlines to ELT, a series of strategic programme-based project boards will be established for each of the with each programme/project lead will establish sub-board level working group, which should convene quarterly, to actively manage the coordination of programmes of activity with multiple individual project elements. All boards should operate with terms of reference agreed by the boards.

Programme Boards will be established to incorporate the Core Investment Programmes as follows: -

- Ardrossan Strategic Programme Board
- Great Harbour Programme Board
- I3 Programme Board
- Hunterston Programme Board
- Marine Tourism Programme Board

- Blue Economy Programme Board

Those boards will be chaired by the Director (Growth & Investment) unless another chair is appropriate and is agreed by consensus of the board members. Boards will be attended by all relevant chief officers and projects leads as appropriate for workstreams within the scope of that programme board. External partners may sit on Programme Boards as required to ensure coordination between projects that involve delivery partners. The programme boards will have a decision-making function. Programme Boards will operate on an exception reporting basis.

Project Boards will follow a similar structure and composition but will be designed to have a specific project focus, as opposed to programme activity monitoring carried out by Programme Boards. Project Boards will monitor the development and implementation of project through a gateway approval stage, where the project will require to meet and achieve certain milestones to be approved by the Project Board for progression to a further stage.

ELT reporting, and Programme and Project Boards will report through the templates contained in the Governance Framework appendices.

Regional growth deal projects will be operated through the Place Directorate, however where alignment in decision making requires to be developed between G&I and Place, arrangements will be established to coordinate project teams. Additionally, matters requiring to be reporting to ELT for consideration arising from revenue project may also be reporting via the monthly AGD ELT Update.

The digital core investment programme is currently managed by South Ayrshire Council. As such, it is not necessary to establish a North Ayrshire programme Board for this, however, monthly meetings with the Programme Manager (Growth & Investment) project lead within South Ayrshire Council will be established for monitoring and reporting and linkages into key NAC led projects. Any issues identified will be escalated initially to the Director (Growth & Investment) and to ELT as required. Where links between the SAC led regional projects and NAC capital projects occur, it may be appropriate to have an SAC representative on the relevant programme or project board.

It should be noted that the boards are not formal decision-making bodies of the Council. They are project and programme steering group, which provide a structured basis for taking key decision either under authority delegated to the project team or provide a platform to seek views on any matters that require to proceed to formal decisions, requiring authority.

A monthly Growth & Investment **Finance-Steering Group** will be established to review risk and finance issues by exception and to identify phasing and sequencing optimising strategy to identify opportunities to phase implementation of activity to maximise financial benefit and achieve best value. This Group will comprise of the following officers: -

- Head of Finance
- Director (G&I)
- Programme Manager (G&I)
- AGD Project Leads (as appropriate)
- Finance Manager
-

Growth & Investment Programme Coordination: As a result of the coverage of reporting mechanisms being managed through Programme and Project Boards by exception and ELT, CPAG and Risk Management mechanisms in place, there is no requirement for a general Growth and Investment Board. However, A monthly programme coordination meeting should be held for staff of Growth & Investment to overview performance, operational matters and common issues or other matters not addressed through other governance arrangements.

Finance Guidance has been issued by PMO to support the ongoing financial monitoring and arrangements for Ayrshire Growth Deal. This is appended to this Framework

North Ayrshire Council Project Management Governance Structure

Figure 3 provides a diagrammatic summary of the composition of the Growth & Investment Programme and Project governance system, its interconnectivity with other forms of governance and approval routes.

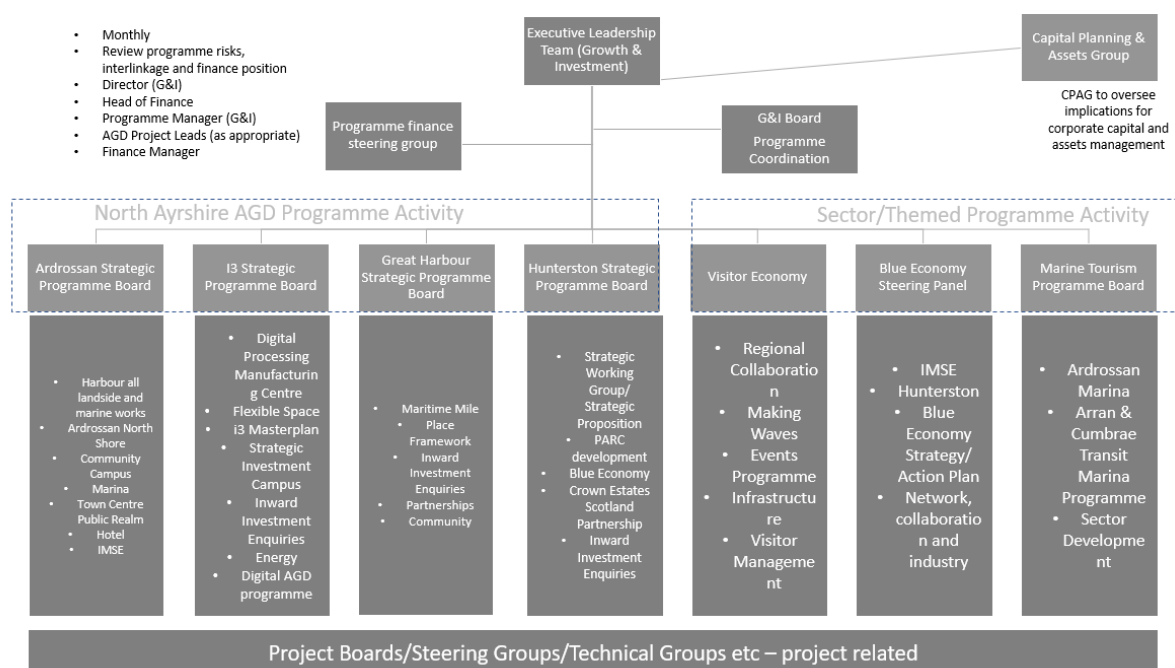


Figure 1 Governance Overview (Growth & Investment)

Regional Ayrshire Growth Deal Programme Governance

There are mandatory Ayrshire regional growth deal governance arrangements established as part of the establishment of the Deal. These are set accessible online here: [About The Deal | Ayrshire Growth Deal](#). The governance established at regional level is designed to align with local arrangements and should be implemented by project and programme staff, and organisationally, by North Ayrshire Council.

Risk Management

North Ayrshire Council is committed to a culture where employees are encouraged to develop new initiatives, improve performance and achieve goals safely, effectively and efficiently. This is supported by the appropriate application of good risk management practice, which applies across Council activity. This is embedded into the Growth & Investment Governance Framework to ensure consistency of management of risk, and that risk is managed effectively to identify and responding to significant, emerging or escalating risk – particularly in relation to how resources are managed relative to risks. The approach set out in this Governance Framework is applicable to Council-led projects, but also to projects where the Council is delivering in conjunction with a partner.

The Council promotes an environment that is risk 'aware' rather than risk 'averse' and will strive to place risk management information at the heart of key policy decisions.

The Council is committed to testing its capacity and tolerance for risk (referred to as 'risk appetite') in order to ensure that it is clear in its understanding of the total level of risk it is able or willing to accept. It is generally understood by all services that in normal circumstances:

- any low risk is acceptable without any further action to prevent or mitigate the risk;
- any moderate risk is tolerable providing that control measures implemented/introduced are cost effective;
- any high risk may be tolerable providing the Council is assured regarding the adequacy and effectiveness of the control measures in place. Any further control measures implemented or introduced must be cost effective in relation to the high risk;
- any very high risk is deemed to be unacceptable. Measures should generally be taken to terminate, transfer or treat a very high risk to a more tolerable position, although it recognised that some very high risks may be outwith the control of the Council.

The Council has established its [Risk Management Framework](#) to support effective risk management activity.

- appropriate, defensible, timeous and best value decisions are made;
 - risk 'aware' not risk 'averse' decisions are based on a balanced appraisal of upside and downside risk and enable acceptance of certain risks in order to achieve a particular goal or reward;
 - high achievement of objectives and targets;
 - higher levels of morale and productivity;
 - better use and prioritisation of Council resources;
 - high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation; and
 - further enhancement of the Council's good reputation both as an employer and as a public
- Key benefits of effective risk management

North Ayrshire Council embeds risk management throughout the Council by consistent application of the risk management process shown in Figure 6.

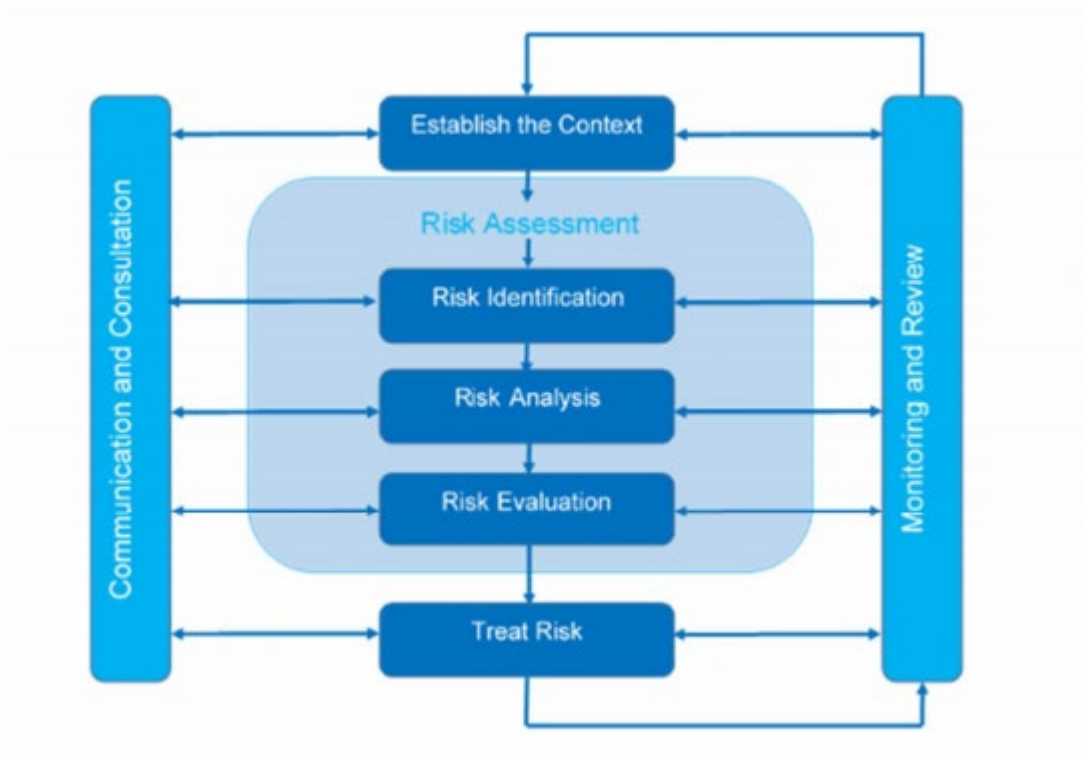


Figure 2 North Ayrshire Council Corporate Risk Process

Growth & Investment Programme and Project Management Framework

Within the Growth and Investment governance framework – i.e. the established project management arrangements in place through the Growth & Investment Project Board, and the monthly meetings of the Executive Leadership Team (convened for G&I activity) – there is a requirement to have in place suitable programme management arrangements to secure a consistent and fit for purpose arrangements for managing projects, while giving wider oversight of any programme of activity to which a project relates. This is critical recognising that a programme of activity may have multiple projects working to deliver a wider impact, but which must respond to different governance systems in place to deliver those projects – especially where projects are run in partnership with external organisations.

Business Cases

A fundamental component of the project management approach is the production of business cases in alignment with the UK treasury Green Book approach, which is the industry standard for business cases; and the expected format for Growth Deal cases. All Ayrshire Growth Deal projects will require to follow this format; internal business case 'house' style is also under review to reflect Green Book standard; and this is a recognised methodology for project management and development.

Table 3 provides information from Treasury Guidance expectations on the content of business cases: -

Table 3 Business Case Content Guide (UK Treasury Green Book)

Section	Expected Content
Strategic Case	<p><i>Strategic Context</i> Organisational overview Business strategy and aims Other relevant strategies</p> <p><i>The Case for Change</i> Spending objectives Existing arrangements Business needs – current and future Potential scope and service requirements Main benefits and risks Constraints and dependencies</p>
Economic Case	<p>Critical Success factors Long-listed options Preferred Way Forward</p> <p>Short-listed options (including the 'BAU' and 'do minimum') Net Present Social Cost (NPSC)/Net Present Social Value (NPSV) findings Benefits appraisal Risk assessment Sensitivity analysis Preferred option</p>
Commercial Case	<p>Procurement strategy and route Service requirements and outputs Risk allocation Charging mechanism Key contractual arrangements Personnel implications Accountancy treatment</p>

Financial Case	Capital and revenue requirements Net effect on prices (if any) Impact on balance sheet Impact on income and expenditure account Overall affordability and funding Confirmation of stakeholder/customer support (if applicable).
Management Case	Programme management governance arrangements (roles, responsibilities, plans etc.) Project management governance arrangements Use of specialist advisers Change and contract management arrangements Benefits realisation arrangements (including plans and register) Risk management arrangements (including plans and register) Post implementation and evaluation arrangements Contingency arrangements and plans

Business Cases should be produced considering the HM Treasury Checklist for Business Cases, as shown in Figure 7: -


 <p>HM TREASURY</p> <p>Checklist for Assessment of Business Cases.</p> <p>What stage has the case reached, is it at the :- Strategic Outline; Business Outline or Full Business Case stage ? Does the case include all the elements of the 5 case model, i.e.:- Strategic; Economic; Commercial; Financial; Management ? Is the information in each element complete enough for the stage reached ? Is the case Green Book compliant ?</p> <p>Strategic Case: (the case for change) should cover rationale, background, policy context and strategic fit. Are there clear SMART objectives in terms of outcomes and are dependencies, constraints and risks identified ?</p> <p>Economic Case: (Economic Appraisal) Is there a reasonable range of options in the long & short lists ? Is ruling out of potential promising options clearly justified ? Are all economic costs and benefits clearly calculated for each year covered by the proposal with NPV calculated correctly (see over) ? Is distributional analysis needed, who benefits, who pays ? Are all costs and benefits quantified, if not is this justified ? Are there any decisive unquantified cost/benefits and are they clearly explained ? Are there appropriate sensitivity analyses, including worst case scenario ? Are results of each option presented clearly including do nothing/minimum option? Are risks, constraints and dependencies identified and managed ? Is optimism bias properly included and aligned with risk ? Are wider impacts assessed e.g. sustainability, competition, regulatory impact? Is there a Benefits register; benefits realisation (delivery) plan ? If PFI involved is tax properly treated and is risk transfer clearly achieved ? Is best ViM = max NPV and if not do unquantified benefits justify the cost ? Exchequer impact calculated separately and <u>not</u> included in NPV! Are monitoring and evaluation costs included ?</p> <p>Commercial Case: Is the proposal commercially feasible / deliverable ? What procurement is required; goods, services, land, buildings ? What is the procurement strategy ? What are the key contractual issues ? There must be clear contractual key milestones and delivery dates</p>	<p>There must be clear agreed accounting treatment Checklist for Assessment of Business Cases.</p> <p>Is risk identified and managed and allocated ? Is there a risk allocation table? What if any are the personnel implications and is TUPE applicable ?</p> <p>Financial Case: (Financial Appraisal) Focus on affordability; is full budget funding secured and budgeted by all parties ? What are the impacts on income/expenditure a/c and on balance sheet if applicable ? Are potential cost over runs provided for are the any contingent liabilities? Any guarantees ?</p> <p>Management Case (programme or project management) Is the proposal practically deliverable and what are the delivery plans ? Are there clear delivery dates and detailed milestones ? Does the proposal require programme or project management techniques ? Is there a contract management plan ? Change management requires a change management plan ! If in a controlled environment such as ICT use of PRINCE 2 is mandatory ! Does the plan include clear arrangements for OGC Gateway peer reviews ? Is there a contingency plan with arrangements & provision for risk management ? There should be a benefit realisation table and plan. Does the plan include monitoring arrangements (who when how and costs) ? Does the plan include post implementation evaluation arrangements (including who when how and costs)?</p> <p>Notes on NPV calculation key issues (if in doubt, consult an economist) Correct discount rate (3.5% real). Figures in real terms/constant prices at base year; sunk costs excluded. Opportunity costs of already-owned assets included. Residual values included. Double counting avoided. Transfer costs / benefits excluded. Uses only economic resource costs (payment good/service). Financing items/sources excluded. Second round effects included (e.g. only genuine job creation). Tax/subsidy treatment must be non-distorting between options.</p>
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Figure 3 HM Treasury Checklist for Assessment of Business Cases

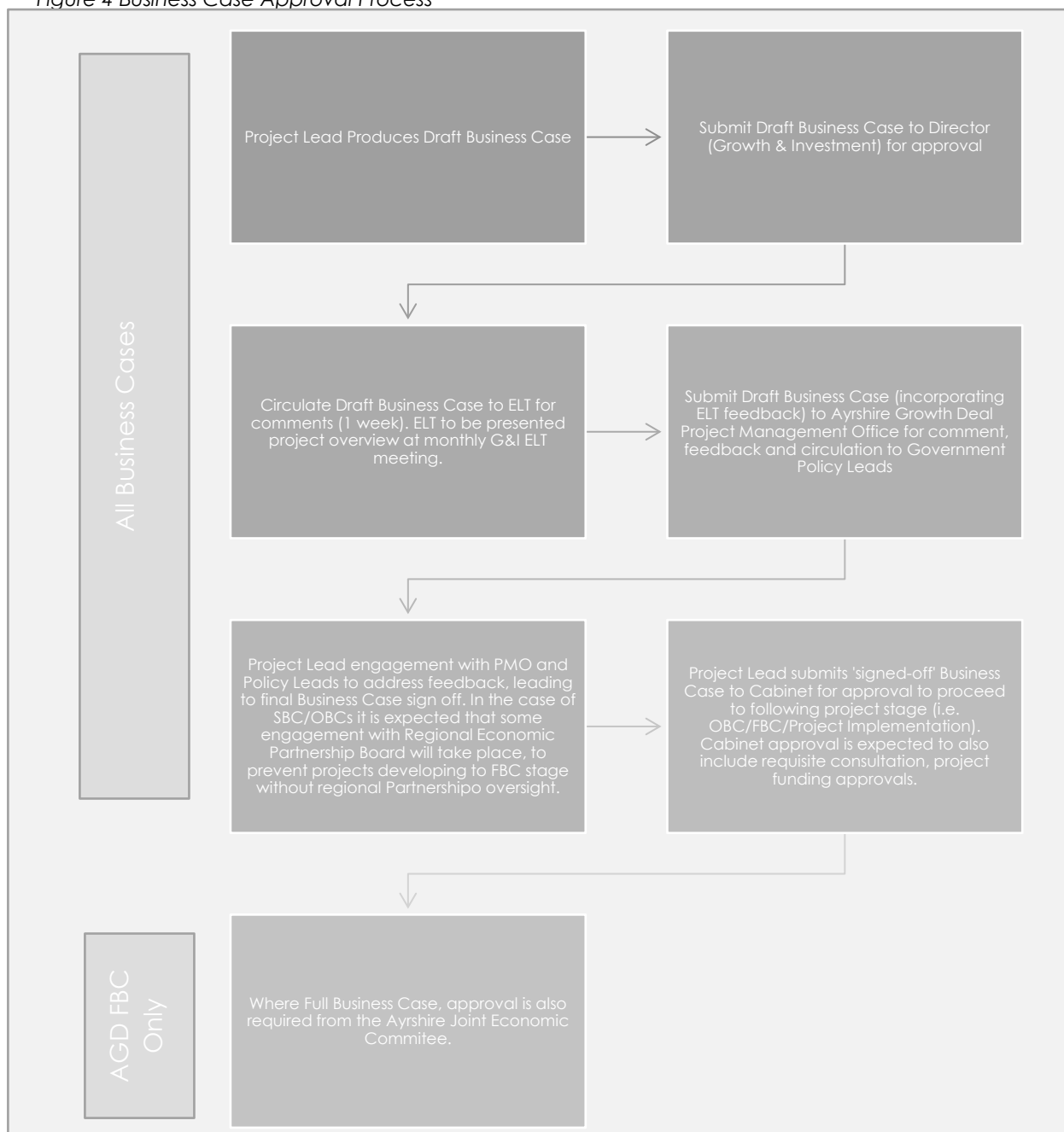
Approval Mechanisms

It is important that mechanisms for approvals of business cases is clear. The established governance arrangements for the Ayrshire Economic Partnership define the arrangements for approval of business cases insofar as the Partnership has oversight of progress with implementation of Ayrshire Growth Deal and will approve full business cases; and that the Ayrshire Growth Deal Project Management Office will provide feedback on draft business cases and coordinate Government feedback.

However, there is a requirement to ensure that the Council's executive leadership has strategic oversight of draft business cases and can sign-off referrals of final business cases to Cabinet for elected member feedback. The following flow chart explains the stages of approval. The Council's delegation documents (Scheme of Administration and Scheme of Delegation can be viewed here (<https://north-ayrshire.cmis.uk.com/north-ayrshire/CommitteesMeetings/GovernanceDocuments.aspx>) for oversight of existing corporate governance arrangements.

Figure 8 outlines the stages towards approval of business cases. This is applicable directly to all business cases produced to draw-down funding under the Ayrshire Growth Deal. However, there will be instances where project development will take place for non-Growth Deal projects, but which still fall under the remit of Growth and Investment. In those instances, business cases will be expected to follow the same approval route, however, Growth Deal specific elements will not be required (e.g. PMO/Govt/Regional Partnership engagement). Where an external project partner is involved, a project plan should display how approval processes will consider governance and approval requirements of any external partner.

Figure 4 Business Case Approval Process



Project Management

For each project within the programme of activity comprising core investment programmes, a detailed project plan will be developed, to ensure a project-management approach to the programme. The project plans for each project will be considered and monitored by the Project Boards, which will report into Programme Boards. Project Boards should meet monthly, except where there is agreement of the Board and Programme Board that a lesser frequency is appropriate at any given stage in project development.

Notwithstanding, each project plan will be developed to measure progress against expectations and will contain the following components: -

- Project Definition
- Project Development Methodology (including options)
- Delivery of Outcomes
- Development & Implementation Timeline; including gateway reviews
- Financial Profile
- Consultation and Stakeholders
- Risks & Mitigation

Project development will reflect gateway approval stages ensuring the project proceeds from concept to detailed design to implementation stages. Programme and Project Board approval will relate to those stages.

G&I Governance Framework	AGD Green Book Stages	Design & Project Management (RIBA Stages)
Gateway 0 Establishment of project governance	Strategic Business Case	RIBA Stage 0 Strategic project definition
Gateway 1 Sign-off concept delivery/ objectives (Approvals: ELT/Programme & Project Boards)	Outline Business Case (Approvals: REP/Govt)	RIBA Stage 1-2 Preparation & Briefing Stage 2 = Concept Design
Gateway 2 Sign-off scheme/ objectives (Approvals: ELT/Programme & Project Boards)		RIBA Stage 3-4 Spatial coordination/scheme design Stage 4 = Technical Design
Gateway 3 Sign-off capital spend/ contract appt (Approvals: ELT/Programme & Project Boards)	Final Business Case (Approvals: REP/Govt)	RIBA Stage 4a Tender Action & Reporting
Gateway 4 Sign-off constructed scheme (Approvals: ELT/Programme & Project Boards)	Post FBC Construction Update	RIBA Stage 5& 6 Construction & Handover
Gateway 5 Reporting outputs/outcomes/CWB (Approvals: ELT/Programme & Project Boards)	Post FBC Programme & Project Evaluation and Monitoring	RIBA Stage 7 Operational Project

A number of the strategic investment programmes, i3, Ardrossan, Hunterston and Great Harbour are major programme activities and will attract public and private sector investment beyond the AGD. Governance arrangements will reflect the multi partnership and status of each programme; and will on a regular basis, consider whether governance requires to be reviewed to reflect significant events in the development of the programmes.

Further details of the project management framework, reporting into the Growth & Investment Board are shown in section entitled 'Project Management'.

Project Documentation

This comprises of a hierarchy of project management documents: -

ELT /Programme/ Project Dashboard: The Dashboard is intended to provide key updates to key audiences to be able to manage by exception and in line with the terms of this framework. The ELT format should be a headline format to identify: -

- Key updates that are essential for the audience to know
- Finance overview of a programme
- Risk reporting (including high impact risks, risk trending information and mitigation measures)
- Critical path analysis (particularly recording approvals)
- Performance indicators – as against defined KPIs.

. The core purpose of the dashboards is to allow provide strategic oversight of full programmes/projects in a single sheet, which provides visibility for strategic leadership to allow boards and governance structures to manage by exception.

Information within the dashboards relating to actions, risks and finance should not be new information generated for the dashboards; any relevant information should be generated in the project management documents (e.g. finance, risk and action documents) and be reported in the dashboards, if the issue merits being raised at a programme/project level. It is not intended that routine project management issues should feature in dashboards where there is no finance, risk or approval issues requiring that activity to be reported.

Risk reporting in the dashboard should be based on RAG traffic light system with a barometer to both show severity and risk trending (i.e. whether risks are escalating or subsiding). This should be generated in a detailed risk log. The related commentary should then be able to focus succinctly on options to manage risks elevated to programme level reporting. Risk treatment should be by exception.

The template for the programme overview summary sheet shown in Table 4 (it should be noted that the dashboard format will be revised as needed to suit the programme and project and refinements as required through the implementation process):

Table 4 Programme Overview Key Issues Template

The dashboard is intended to be for the purpose of high-level programme review, rather than detailed project management summary documents.

Risk Log: each project and programme will be underpinned by a comprehensive risk log which will address the matters identified in table 5. Further details on the approach to management of risk within the Growth & Investment portfolio are set out in the Risk Management section of this document.

Table 5 Risk Log Content

Unique ID	This may be simply a title, but Growth & Investment project/programmes are likely to require an appropriate alphanumeric code to reflect the large number of risks that are likely to exist for larger and complex projects.
Risk (description)	Presented in a structured format: Condition – 'There is a risk that' Cause – 'Caused by' Consequence – 'Resulting in'

Likelihood (probability)	What is the likelihood of the risk occurring? It would be helpful to record the justification behind this analysis.
Impact	What will the impact be if the risk occurs? It would be helpful to record the justification behind this analysis.
Score	Likelihood and probably should be multiplied to indicate overall risk score. This should relate to the RAG status of the project.
RAG status	Red, Amber, Green (RAG) status, based on the product of the probability and impact – this is explained further in the section on quantitative risk analysis
Timescale	What is the 'risk window' when this risk may occur and when do you start to lose options as to how you respond?
Cost	What will the risk cost if it does occur? NB. You can't assess this unless you know what your response action will be.
Owner	There should be a person nominated to 'own' the risk which means monitoring the situation and ensuring that necessary management actions are carried out. In a project situation this should be somebody within the project team and in all cases, it should be somebody who will be impacted by the risk and who has a vested interest in addressing it. The project lead is likely to be the most appropriate owner.
Risk management approach/ Mitigating actions	What are the agreed response actions? These may be broken into: preventative actions to mitigate the risk and the response action if the risk occurs. This is sometimes known as an 'impact plan'
Residual risk	This is the expected level of risk once all the mitigating actions are complete.
Early warning signs	What 'trigger' might alert you to the fact that the risk is about to occur?
Risk Trend	Monthly reporting should indicate any significant increase in risk likelihood or significance – or failure for risk profile to decrease, to allow Growth & Investment Board and Executive Leadership Team to be sighted on risk profile and oversee required interventions.

The Council's approved format for risk log templates for capital projects reporting into the Capital Planning and Assets Group is <http://naconnects.north-ayrshire.gov.uk/documents/insurance-risk-management/cpag-project-risk-register.xls>

The format of the risk log is shown in Table 6: -

1. Service	6. Risk ID Number	7. Details of Event Identified	8. Impact of Risk Event to the project	9. Likelihood Score of Risk Occurring	10. Impact Score of Risk	11. Probability Score	12. Control Strategy	13. Risk Owner	14. Status	15. Resolve Date
XX	1	XX	XX	1	5	5	Project Board and Project implementation team now established		Open	

Table 6 Risk Log Template for Projects

There is a requirement to maintain operational risk logs for both projects and programmes. They are envisaged as provided different functions. A project risk log will manage issues relating to a project specifically. Programme risk logs will identify cross project issues and seek to apply appropriate mitigation – for example coordination of development activity over multiple projects to minimise constructions disruption or construction or procurement matters.

Finance Profile: For each programme of activity, all related budget lines, including capital and revenue expenditure and receipts (both committed, anticipated and unknown source) will be displayed on a single sheet breaking down project costs, in detail to provide complete financial oversight.

Comprehensive finance overview sheets will be prepared to match the programme overview sheets, to give full sight of all related finances for each of the programmes.

Action Tracker: an action tracker for each project is essential. This should relate to the dashboard format and track actions identified by Boards and record action taken and date. Actions not completed to expected timescales should be reported to future Board meetings via the dashboard.

Programme and Project Monitoring and Reporting

Programme and Project Monitoring and Reporting



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

The Ayrshire Economic Partnership Board meets quarterly to receive update on progress related to Ayrshire Growth Deal, and to resolve emerging issues. The Partnership Board updates on AGD projects is per the format shown in Table 7.

Table 7 Ayrshire Growth Deal Regional Reporting to Ayrshire Economic Partnership

Tourism Programme		KEY TASK UPDATES	NEXT MILESTONES
TOURISM	G	<ul style="list-style-type: none"> Overall Programme Updates 	
THE GREAT HARBOUR AT IRVINE HARBOURSIDE & ARDEER Project Lead: XX	G	<ul style="list-style-type: none"> Headline developments noted 	<ul style="list-style-type: none"> Target approvals/milestones
MARINE TOURISM Project Lead: XX	G	Headline developments noted	<ul style="list-style-type: none"> Target approvals/milestones

In addition, Growth & Investment will produce an annual update on programme activity to the Audit and Scrutiny Panel at financial year end, reporting on key progress throughout the past year.

The programme will also be subject to review by Internal Audit as part of the Council's agreed Internal Audit Plan.



Project Change Management Proposal Proforma

This proforma should be completed for any proposal to alter a project currently under development, and for which a strategic business case (or outline/full business case) has been approved to define the parameters of the project. The proforma should ultimately be approved by the project, but dependent on the scale of change proposed (see "Scale of Change" section), may require other approvals. Where other approvals are required before recommending a change request, this should be documented within the proforma.

Project Description		Provide a description of the approved project
Case for Change		Provide a description of the circumstances that have led to the need for change being identified
Proposed Change		Describe the proposal for change
Impact on the business case	Strategic Case	How does the proposal impact on the strategic case for the project? Does it undermine or strengthen the need for project implementation?
	Economic Case	How does the proposed change arrangement impact on the economic impact of the proposal? Will there be a requirement to undertake further economic analysis? Are there wider socio-economic benefits to be gained or reduced as a result of the proposed change?
	Commercial Case	Outline the impact on operating model for the project resulting from the change request? Does this reduce or increase revenue and servicing costs? Does this impact on partner arrangements?
	Finance Case	Describe the impact on capital and revenue budgets. Outline how the proposal impacts on partnership arrangements, if appropriate.
	Management Case	Describe the impact on project management arrangements, partnership management arrangements and timescales.
Scale of Change		Provide a score rating: - 1 – minor change proposed from initial project scope, purpose, outcomes, budget, timing and management arrangements 2 – moderate change proposed from initial project scope, purpose, outcomes, budget, timing and management arrangements 3 – fundamental change proposed from initial project scope, purpose, outcomes, budget, timing and management arrangements
Risk Analysis		What are the risks associated with the proposed change; what are the risks of not accepting the change request? This should be underpinned by analysis of risk through a recognised risk scoring methodology. Note – this is not for describing project risks unless they are affected by the proposed change.
Options Analysis		Provide an overview of the options analysis that has been undertaken to identify the proposed change as the preferred option
Governance	ELT	Indicate whether consultation/approval is required or not. Has any informal discussion taken place?
	Partner(s)	Are partners supportive of change? Has partner approval of change proposal been accepted?
	Funder	Are funders supportive of change? Has partner approval of change proposal been accepted?

	PMO	<i>Indicate whether consultation/approval is required or not.</i>
	Cabinet	<i>Indicate whether consultation/approval is required or not.</i>
	REP	<i>Indicate whether consultation/approval is required or not.</i>
Recommendation		<i>Accept project change proposal and proceed/ Accept project change proposal and seek additional required approvals (e.g. formal approval of ELT/Partner Board/Govt/PMO/Cabinet/REP)</i>

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title:	Remote Access Controls - Education Network – Internal Audit Progress Update
Purpose:	To provide an update on: <ul style="list-style-type: none"> • Internal Audit Report Management Action Plan, and • Update on the Digital Strategy Review.
Recommendation:	It is recommended that the Committee notes the progress made in the execution of the Internal Audit Management Action Plan and the progress made on the Digital Strategy Review.

1. Executive Summary

- 1.1 The remit of Internal Audit includes the monitoring of internal controls of how effectively resources are being managed. An internal audit began in January 2020 in relation to the Remote Access Controls around the Education Network. The audit was delayed due to the pandemic and the report was issued in November 2020. It was presented to the Audit & Scrutiny Committee on 12 January 2021. The Committee noted progress and requested a further update on the execution of the management actions detailed in the Audit report. The Internal Audit Report is attached at Appendix 1.
- 1.2 Since the beginning of the year, a Senior Manager, Education has been appointed to lead a Digital Strategy Review in Education. An ICT Technician Coordinator has also been appointed to have an overview of all systems and procedures across schools.
- 1.3 A workstream of the Digital Strategy Board has been set up which is led by the Senior Manager, Digital Strategy. The group has senior officer representation from both education and ICT services and also includes the auditor who carried out the internal audit.
- 1.4 The priority for the group was to address the actions raised in the internal audit. However, the work of the group will continue to focus on developing new and improved processes and systems that align with the output of the wider digital review. The group will focus on ensuring compliance with security protocols and will involve input from ICT technicians in secondary schools and ICT Services, who provide the ICT technician service across primary schools.

- 1.5 The internal audit reported a total of 12 management actions to be addressed. Nine of these actions are now closed, with the remaining 3 in progress with a plan and closure date agreed.

2. Background

- 2.1 The Digital Strategy Review will focus on the following key areas:

- Developing the skills and confidence of educators in the appropriate and effective use of digital technology to support learning and teaching.
- Improving access to digital technology for all learners.
- Ensuring that digital technology is a central consideration in all areas of curriculum and assessment delivery.
- Empowering leaders of change to drive innovation and investment in digital technology for teaching and learning.
- Further development of the ICT Working Group priorities to support schools.

- 2.2 The purpose of the Board will be to ensure progress across all of the areas identified above with the clear objective to develop an innovative, forward looking Digital Strategy.

- 2.3 The workstream group was set up at the end of January 2021 and an update on each of the actions and progress made are outlined below:

Action a)	Status:	Closed
Audit Action: Education should consider purchasing compliance software such as Meta Compliance which is used for the Corporate network to sign up to such policies as Accessible Computer Use Policy.		
Current position: Meta Compliance has been purchased and will be utilised to enable school-based staff to sign up to the Accessible Computer Use Policy, as well as other relevant policies. It will be an effective communication tool for important ICT security information and updates.		
Action b)	Status:	Closed
Audit Action: There is no documented formal Service Level Agreement between Education and ICT Services.		
Current position: Education and ICT have worked collaboratively to produce a Working Together Agreement which been signed off by Heads of Service across both services. (Appendix 3)		
Action c)	Status:	Closed
Audit Action: There are no standard procedures provided by ICT Services covering key functions/tasks carried out by the ICT Technicians, to ensure a standard approach is taken across all the schools.		

Current Position: A set of standard procedures have been developed and communicated to all schools and ICT Technicians, which are attached at Appendix 2. These include:

- Process for New Start Employees
- Setting-up a New Device
- Inventory
- Process for employees who leave the organisation
- Disposal of Equipment
- Anti-virus Software Procedure
- USB Pen Drives Procedure

Action d)	Status:	Open
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Audit Action: The ICT Technicians should reconcile their inventory records with the Airwatch report and identify any NAC purchased iPads not on Airwatch and pass to ICT to ensure they are added to this console to allow them to be properly managed.

Current position: The completion of this action has been delayed due to the focus on ensuring staff, children and young people had suitable and effective access to ICT whilst working from home and home schooling.

The group have revised the completion date of this action to 31 May 2021. This will allow staff, children and young people to return iPads to the ICT Technicians now that schools have returned. A communication has been sent to Head Teachers requesting that all iPads be returned to the ICT Technicians by 14th May in order that they can be included on Airwatch where appropriate and added to the inventory.

Action e)	Status:	Closed
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Audit Action: There is discrepancy between the ICT Acceptable Use Policy and the IT Standards Product List regarding who can purchase encrypted USB devices. One states they should be purchased via ICT Services and the other states they can be purchased directly by employees.

Current position: The ICT Acceptable Use Policy has been updated to reflect the IT Standards Product List information. The updated ICT Acceptable Use Policy can be accessed on Connects.

Action f)	Status:	Closed
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Audit Action: Education should remind the ICT Technicians to record USB devices on the inventory records and remind teaching staff to only use encrypted USB devices. Consideration should also be given to purchasing software that will identify unauthorised USB devices being plugged in to the network.

Current position: A communication was sent to Head Teachers and ICT Technicians on 24 February 2021 providing information on the use of USB devices. The Use of USB Pen Drives Procedure has also been developed and is included in the procedures pack sent to Head Teachers and ICT Technicians.

Action g)	Status:	Open
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Audit Action: Password controls for network logins are weak and are not in line with best practice. There is no requirement to use a mix of special characters, numbers, uppercase, lowercase etc or to change the password periodically or get locked out after a specified number of failed login attempts.

Current position: The group have made the decision to delay this action until August 2021 due to the recent return of schools and the school holiday period coming up at the end of June. The change of login settings will take place w/c 23 August 2021 and will be completed over a five-week period.

Action h)	Status:	Closed
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Audit Action: The Audit highlighted that cloning was still taking place when setting up new teachers' ICT access. The action advised that cloning should no longer be used to minimise the risk of teaching staff being given unnecessary access to potentially sensitive data.

Current position: A guidance document has been created with instructions on how to create each new user and has been circulated to all Head Teachers and ICT Technicians. A receipt and adherence confirmation has been returned by each Head Teacher. A procedure is also included in the pack sent to Head Teacher and ICT Technicians.

Action i)	Status:	Closed
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Audit Action: The audit highlighted that not all the secondary schools have a robust process in place for promptly removing IT access for teaching staff that have left the school. IT Services confirmed that they have a process in place to move accounts not used for 250 days to a stale users container which disables the account. Therefore, a robust process should be put in place to ensure that IT access is removed by the ICT Technician promptly when teaching staff leave. In addition, Education should consult with IT Services to improve the current process as 250 days is excessive.

Current position: A Leavers procedure has been developed and includes a Leavers Form to ensure the return of ICT equipment prior to staff leaving. The procedure has been sent to all Head Teachers and ICT Technicians as part of the procedure pack. ICT have revised the process for disabling accounts not being used from 250 days to 90 days and advised Head Teachers and ICT Technicians as part of a communication sent on 04 December 2020.

Action j)	Status:	Closed
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Audit Action: The information recorded on the ICT Inventories maintained by the schools varies. In all cases the serial number is recorded but only 1 school recorded the computer name. Schools should be reminded of the information that should be recorded on the inventory records and this should include the computer name.

Current position: A new standard inventory template has been developed and circulated to all Head Teachers and ICT Technicians and an Inventory Procedure is also included in the procedures pack sent to all Head Teachers and ICT Technicians.

Action k)	Status:	Open
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Audit Action: School ICT technicians should undertake a review of the laptops on their inventory in comparison to the records held on System Centre and ensure that the inventories are up to date.

Current position: It has not been possible to fully update inventory records and compare inventory records with System Centre information due to the impact of Covid-19 and the return of schools. The Working Group have discussed and agreed to delay this work until a more appropriate time due to the high level of workload for ICT Technicians at this time.

A System Centre Report will be provided to each secondary school w/c 07 June 2021. ICT Technicians will be requested to carry out a full inventory during the school holiday period and undertake a reconciliation and to report any anomalies addressed. This process has to be complete by 31 July 2021.

Action l)	Status:	Closed
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Audit Action: ICT Services confirmed that the ICT Technicians have been added to the group "Sophos console administrators" which means they can do anything from a Sophos perspective. ICT Services should review ICT Technicians access and remove the administrator role if this is not required to ensure only relevant staff have this level of access.

Current position: Changes have been made to the current rights to ensure minimal access. Head Teachers and ICT Technicians were advised by email communication sent on 04 December 2020.

Update on Additional Action Raised at Audit & Scrutiny in January 2021

At the Audit and Scrutiny Committee meeting held on 12 January 2021, members requested information on the comparison of device numbers in the last year.

ICT Services provided a report on the number of PC's, iPads and laptops currently in schools. However, upon investigation there appears to be a difference in the number of devices actually in schools.

The group have discussed this action and have agreed to run a more up-to-date report once the inventory records identified in Action k) is updated by the end of July.

It is proposed that the group will provide a report once the school inventories have been updated and any discrepancies as outlined above have been resolved. This will enable a report to be provided which reflects accurately the number of devices across schools. This information can be shared with the Committee at that time.

3. Proposals

- 3.1 It is proposed that Audit and Scrutiny Committee note the progress made to date in the execution of the management actions contained in the Audit report and note plans for the Digital Strategy Review.

- 3.2 It is proposed that information on numbers of devices across schools will be provided after the inventory reconciliation has been carried out by ICT Technicians.

4. Implications/Socio-economic Duty

Financial

- 4.1 The Education service has spent £883,998 on digital devices and connectivity to support home learning for pupils during 2020-21. This was part-funded by a Scottish Government Grant of £551k. A total of £276,600 has also been spent on digital devices to support staff throughout the pandemic.

The Council is also investing £1.234m in 2021/22 and £0.752m in subsequent years in digital technology within schools.

Human Resources

- 4.2 None

Legal

- 4.3 The working group have addressed actions and developed procedures in line with data protection policy.

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 Head Teachers, ICT Technicians, ICT Services and Internal Audit.

Audrey Sutton
Executive Director (Communities and Education)

For further information please contact **Susan Lauder, ICT Strategic Lead**, on **01294 552626**.

Background Papers

Appendix 1 – Internal Audit Report

Appendix 2 – ICT Procedures in Schools Document

Appendix 3 – Working Together Agreement

INTERNAL AUDIT REPORT

REMOTE ACCESS CONTROLS AROUND THE EDUCATION NETWORK

Assurance Level:	Limited
Version:	Final
Date:	October 2020
Author:	Yvonne Trundle
File Ref:	2020-PA-023
Classification:	Official - Protect
Budget Days:	20 days
Actual Days:	22 days



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

REMOTE ACCESS CONTROLS AROUND THE EDUCATION NETWORK

1 Background

- 1.1 The Council has an Education network for teaching staff and pupils, which is separate from the Corporate network.
- 1.2 Direct Access is used to provide remote access to users in the schools and wireless networks have also been set up in the schools.
- 1.3 System Centre is used by IT Services to maintain a list of all Microsoft based devices on the Education network. The schools should also maintain an inventory record of all IT devices.
- 1.4 Airwatch is the mobile device management system which is used to control all NAC purchased iPads. This allows all iPads to be set up uniformly across the schools. Some are set up with staff access and some are set up with pupil access.
- 1.5 All laptops should be encrypted with Bitlocker encryption and installed with Sophos anti-virus protection.

2 Objectives and Scope

- 2.1 The main objectives of this audit were to ensure that:
 - teaching staff have been provided with appropriate IT policies and procedures and ICT Technicians have corporate procedures to follow for carrying out key functions.
 - only Council authenticated devices are used for Direct Access, laptops are encrypted, iPads are appropriately managed and controlled and appropriate Wi-Fi settings are in place.
 - strong network password controls are in place and there are appropriate processes in place for setting up new teaching staff with relevant IT access and promptly removing leavers.
 - there are proper controls around the procurement and setting up of new mobile devices and up-to-date inventories are maintained by the schools.
 - all mobile devices are protected with up-to-date anti-virus software, ICT Technicians are notified, and act on these alerts and an appropriate patch management process is in place.
- 2.2 The scope of the audit covered remote access controls around the Education network to allow agile working. The audit was restricted to employees only and excluded pupils' access.

3 Findings

Governance and IT Policies and Procedures

- 3.1 No additional remote access or agile working policies and procedures are issued to staff in the schools. Teaching staff are expected to adhere to the corporate Acceptable Computer Use Policy. Teaching staff have to manually sign up to this policy as Education do not have software to electronically issue such policies and provide an audit trail of the staff that have signed up. Education should consider purchasing

compliance software such as Meta Compliance which is used for the Corporate network to sign up to such policies. **(action a)**

- 3.2** There is no documented formal Service Level Agreement between IT Services and Education to ensure clear roles and responsibilities are defined, agreed and allocated for the provision of IT services in the schools. **(action b)**
- 3.3** There are no standard procedures provided by IT Services covering key functions/tasks carried out by the ICT Technicians, to ensure a standard approach is taken across all the schools. IT Services and Education should work together to define key functions and produce standard procedures. **(action c)**

Mobile Device Authentication and Device Security Settings

- 3.4** Internal Audit requested a usage report on Direct Access but IT Services advised the auditing function had not been switched on. It was switched on during the course of the audit although, due to lockdown, usage reports were not provided as evidence.
- 3.5** The auditor compared the list of Direct Access devices for primary and secondary schools to the MBAM (Microsoft Bitlocker Administration and Monitoring) database which lists encrypted devices, and 42 (out of 1,533) direct access devices could not be found. Action is being taken by IT Services to rectify these 42 to ensure all are either encrypted or disabled in Active Directory.
- 3.6** The auditor compared the list of all iPads on Airwatch, the mobile device management system, to the secondary schools' inventory records of the iPads they hold. There are major discrepancies in this comparison. There are 481 iPads on the schools' inventory records that are not on the Airwatch report. IT Services advised that when Airwatch was introduced all existing iPads should have been provided to IT to set them up on Airwatch. There is a risk that these iPads have not been set up on Airwatch and are therefore not being properly managed in line with Council policy. If they are not being managed, they are not being controlled via the Councils corporate policies and settings provided by Airwatch. **(action d)**
- 3.7** The auditor tested the use of USB data storage devices in the secondary schools. The following was noted:
- USB devices are not recorded on any of the inventory records provided by the secondary schools – this is a requirement of the ICT Acceptable Use Policy.
 - There is discrepancy between the ICT Acceptable Use Policy and the IT Standards Product List regarding who can purchase encrypted USB devices. One states they should be purchased via IT Services and the other states they can be purchased directly by employees. **(action e)**
 - One of the secondary schools confirmed unencrypted USB devices are being used.
 - There is no technology in place to provide notification of unauthorised USBs being connected to the schools' network, so there is no current way to determine the scale of unauthorised and unencrypted USB devices being used on the schools' network. **(action f)**

Network Access Controls

- 3.8** Password controls for network logons are weak and are not in line with best practice. There is no requirement to use a mix of special characters, numbers, uppercase,

lowercase etc or to change the password periodically or get locked out after a specified number of failed login attempts. **(action g)**

- 3.9 The auditor was advised by 2 of the ICT Technicians that cloning is still being used in the secondary schools when setting up a new teacher's IT access. **(action h)**
- 3.10 It was noted that not all the secondary schools have a robust process in place for promptly removing IT access for teaching staff that have left the school. IT Services confirmed that they have a process in place to move accounts not used for 250 days to a stale users container which disables the account. **(action i)**

Procurement and Recording of Mobile Devices

- 3.11 The information recorded on the IT Inventories maintained by the secondary schools varies. In all cases, the serial number is recorded but only 1 school records the computer name. **(action j)**
- 3.12 The auditor compared each secondary school's list of laptops to the System Centre report provided by IT Services, using the serial number to match the 2 sets of data. This comparison showed major discrepancies between the laptops as per the schools' inventory and the laptops as per the System Centre report. Some of the ICT Technicians advised that their inventory records are not up-to-date, and this is supported by these results, as not all laptops on the schools' inventory are still being used. **(action k)**

Anti-Virus Software and Patch Management Arrangements

- 3.13 Sophos anti-virus is installed on all school devices but it was noted that 2 of the ICT Technicians are not receiving any notifications provided by this software, to allow them to investigate and fix the problem. Internal Audit advised IT Services to rectify this during the audit.
- 3.14 IT Services confirmed there is a current issue with the email alerts for Sophos which is the anti-virus software for end user devices. IT Services are working with the company to resolve this issue.
- 3.15 IT Services confirmed that the ICT Technicians have been added to the group "Sophos console administrators" meaning they can do anything from a Sophos perspective. **(action l)**
- 3.16 IT Services confirmed that there was a temporary pause on patching under the lockdown conditions and response efforts. IT Services restarted updates to Education in July and are playing catch-up now the schools are back. IT Services aim to complete the catch-up so that updates are following the normal cycle.

4 Internal Audit Opinion

- 4.1 Overall, limited assurance was obtained with regard to remote access controls around the Education network to allow agile working. There are particular concerns over unencrypted laptops being used for remote working, iPads not being properly managed, weak network password controls and Sophos anti-virus notifications not being sent to the ICT Technicians to action.

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

REMOTE ACCESS CONTROLS AROUND THE EDUCATION NETWORK

Action	a
Finding	Teaching staff have to manually sign up to the ICT Acceptable Use Policy as Education do not have software to allow teaching staff to electronically sign up to such policies which would provide a full audit trail.
Action Description	Education should consider purchasing software to allow teaching staff to electronically sign up to the ICT Acceptable Use Policy.
Risk	Staff may not have agreed to comply with the ICT Acceptable Use Policy.
Priority (1, 2, 3)	3
Paragraph Reference	3.1
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Andrew McClelland
Due Date	31/03/21
Management Comment	An electronic solution to ensuring that all staff sign up to the ICT acceptable use policy will be introduced across the Education service. This may include the purchase of additional software.

Action	b
Finding	There is no documented formal Service Level Agreement between IT Services and Education to ensure clear roles and responsibilities are defined, agreed and allocated.
Action Description	IT Services and Education should produce a documented formal Service Level Agreement to ensure clear roles and responsibilities are defined, agreed and allocated for the provision of IT in the schools.
Risk	The roles and responsibilities of both parties have not been defined and agreed.
Priority (1, 2, 3)	2
Paragraph Reference	3.2
Managed by	Andrew McClelland, Head of Service (Education), Fiona Walker, Head of Service (People and ICT)
Assigned to	People and ICT: Brendan Quigley, Senior Manager IT; and Carolann McGill, Team Manager Customer Experience Education: Andrew McClelland Head of Service (Education); Rosslyn Lee, Digital Skills Co-ordinator
Due Date	28/2/21
Management Comment	IT Services and Education to work together to draft an ICT Services SLA between IT Services and Education. Note there are significant differences in the Services provided by IT Services to Secondaries and Primaries. Education Comment: Education will set up a meeting with IT i.e. Carolann McGill, Michele Lavery to draft SLA, taking into account Primary and Secondary requirements.

Action	c
Finding	There are no standard procedures provided by IT Services covering key functions/tasks carried out by the ICT Technicians to ensure a standard approach is taken across all the schools.

Action Description	IT Services and Education should work together to define key functions and produce standard procedures to be followed.
Risk	Key tasks are not being carried out.
Priority (1, 2, 3)	2
Paragraph Reference	3.3
Managed by	Andrew McClelland, Head of Service (Education), Fiona Walker, Head of Service (People and ICT)
Assigned to	People and ICT: Brendan Quigley, Senior Manager IT; Carolann McGill, Team Manager Customer Experience; James McNeil, Team Manager IT Operations Education: Lynn Taylor, Senior Manager Education; Rosslyn Lee, Digital Skills Co-ordinator
Due Date	31/03/21
Management Comment	<p>IT Services will set up monthly meetings with Education / ICT Technicians. The remit will be to</p> <ul style="list-style-type: none"> • Identify key functions/tasks carried out by the ICT Technicians • Agree standard procedures for the above functions and tasks • Ensure standard approaches are taken across all schools and that ICT Technicians align with corporate ICT policies and procedure <p>Education comment: A working group will be set up to address this action and will include ICT Co-ordinator, Quality Improvement Officer (ICT), Carolann McGill, Michele Laverty, James McNeil, Rosslyn Lee, Lynn Taylor, Alison Mair. Actions D, G, H, I, J, K and L will also be addressed by the working group. However, any preliminary actions possible prior to January 2021 will be carried out as detailed on agreed Action Plan (enclosed).</p>

Action	d
Finding	There are 481 iPads on the schools' inventory records that are not on the Airwatch report.
Action Description	The ICT Technicians should reconcile their inventory records with the Airwatch report and identify any NAC purchased iPads not on Airwatch and pass to IT to ensure they are added to this console, to allow them to be properly managed.
Risk	iPads have not been set up on Airwatch and are therefore not being properly managed in line with Council policy.
Priority (1, 2, 3)	1
Paragraph Reference	3.6
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor
Due Date	31/01/21
Management Comment	Education comment: Education to review and provide IT with details of Ipads to be added to Airwatch (include as part of ICT Monthly meeting), see Action C.

Action	e
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Finding	There is discrepancy between the ICT Acceptable Use Policy and the IT Standards Product List regarding who can purchase encrypted USB devices. One states they should be purchased via IT Services and the other states they can be purchased directly by employees.
Action Description	IT Services should clarify which process is correct and update one of the documents accordingly.
Risk	Inconsistent advice provided to employees.
Priority (1, 2, 3)	2
Paragraph Reference	3.7
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	People and ICT: Carolann McGill, Team Manager Customer Experience; Derek Nelson, ICT & Cyber Security Architect
Due Date	28/02/21
Management Comment	IT Services will ensure that both documents are aligned. Education comment: confirm no action required by Education.

Action	f
Finding	USB devices are not recorded on the schools' inventory records, one of the secondary schools confirmed the use of unencrypted USB devices and there is no software to identify unauthorised USB devices being plugged in to the network.
Action Description	Education should remind the ICT Technicians to record USB devices on the IT inventory records and remind teaching staff to only use encrypted USB devices. Consideration should also be given to purchasing software that will identify unauthorised USB devices being plugged in to the network.
Risk	Unencrypted USB devices are being used to transmit sensitive data, USB devices are not properly managed and can lead to difficulty in determining if IT assets have been lost.
Priority (1, 2, 3)	1
Paragraph Reference	3.7
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Andrew McClelland
Due Date	31/01/21
Management Comment	Education comment: Update inventory records - Take to ICT Monthly meeting and analyse usage of USB devices, See Action C. A.McClelland will write to Schools with regard to this issue, advising to make maximum use of cloud storage and minimise the use of USBs.

Action	g
Finding	Password controls for network logons are weak and are not in line with best practice. There is no requirement to use a mix of special characters, numbers, uppercase, lowercase etc or to change the password periodically or get locked out after a specified number of failed login attempts.
Action Description	Password controls should be amended to be in line with best practice guidance.

Risk	Increased vulnerability to hacking or other forms of cyber-attack, which could lead to data breach or inability to undertake duties.
Priority (1, 2, 3)	1
Paragraph Reference	3.8
Managed by	Andrew McClelland, Head of Service (Education), Fiona Walker, Head of Service (People and ICT)
Assigned to	People and ICT: James McNeil, Team Manager IT Operations Education: Rosslyn Lee, Digital Skills Co-ordinator
Due Date	30/04/21
Management Comment	<p>IT Services will add the fine-grained password management capability to the Education Active Directory (AD). IT Services will then work with Education to plan the rollout of fine-grained password management and password complexity rules.</p> <p>The current Education AD solution does not support fine grained password policies i.e. different policies for different groups of people. This upgrade is required to facilitate distinct password policies are required for teachers, secondary students and primary students.</p> <p>Education Comment: Education will work with IT to roll out fine-grained password management and password complexity rules. This will allow staff to have a different password policy from pupils as many would not be able to cope with more complicated passwords. Agree a roll out with IT and School Technicians, See Action C.</p>

Action	h
Finding	The auditor was advised by 2 of the ICT Technicians that cloning is still being used when setting up a new teacher's IT access.
Action Description	Cloning should no longer be used to minimise the risk of teaching staff being given unnecessary access to potentially sensitive data.
Risk	Teaching staff are given unnecessary access to potentially sensitive data.
Priority (1, 2, 3)	2
Paragraph Reference	3.9
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Andrew McClelland
Due Date	28/02/21
Management Comment	Education comment: Education will ensure process of cloning is stopped within schools and that each user is newly created and access rights applied manually. (to include in ICT Technician monthly meeting and produce communication guidance). Covered in Action C.

Action	i
Finding	It was noted that not all the secondary schools have a robust process in place for promptly removing IT access for teaching staff that have left the school. IT Services confirmed that they have a process in place to move accounts not used for 250 days to a stale users container which disables the account.

Action Description	A robust process should be put in place to ensure that IT access is removed by the ICT Technician promptly when teaching staff leave. In addition, Education should consult with IT Services to improve the current IT Services process as 250 days is excessive.
Risk	Former employees have inappropriate access to data.
Priority (1, 2, 3)	2
Paragraph Reference	3.10
Managed by	Andrew McClelland, Head of Service (Education), Fiona Walker, Head of Service (People and ICT)
Assigned to	People and ICT: James McNeil, Team Manager IT Operations Education: Lynn Taylor, Senior Manager Education
Due Date	28/02/21
Management Comment	Policy will be altered by IT Services to ensure accounts are moved to stale after 90 days. Education comment: Education will introduce a robust process for removing staff IT access when they leave service. Education will produce a 'leavers' form to incorporate IT hardware/software return and to inform school Technician. (to include in ICT Technician monthly meeting covered in Action C).

Action	j
Finding	The information recorded on the IT Inventories maintained by the schools varies. In all cases the serial number is recorded but only 1 school records the computer name.
Action Description	Schools should be reminded of the information that should be recorded on the inventory records and this should include the computer name.
Risk	Non-compliance with inventory procedures and not all relevant information is recorded.
Priority (1, 2, 3)	3
Paragraph Reference	3.11
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor, Senior Manager Education
Due Date	28/02/21
Management Comment	Education comment: Education will ensure an IT Inventory is maintained by all schools using standard inventory template provided by IT. IT advised that they could possibly set up automated emails with relevant reports for the technicians but this would be discussed and agreed as part of the regular meetings. (to include in ICT Technician monthly meeting covered in Action C).

Action	k
Finding	The auditor compared each school's list of laptops to the System Centre report provided by IT Services using the serial number to match the 2 sets of data. This comparison showed major discrepancies between the laptops as per the schools' inventory and the laptops as per the System Centre report. Some of the ICT Technicians advised that their inventory records are not up-

	to-date and this is supported by these results as not all laptops on the schools' inventory are still being used.
Action Description	School ICT technicians should undertake a review of the laptops on their inventory in comparison to the records held on System Centre and ensure that the inventories are up-to-date.
Risk	Lost or stolen laptops are not identified
Priority (1, 2, 3)	1
Paragraph Reference	3.12
Managed by	Andrew McClelland, Head of Service (Education)
Assigned to	Lynn Taylor, Senior Manager Education
Due Date	28/02/21
Management Comment	<p>Education comment: Education will undertake a review of laptop inventory in comparison to records on System Centre to ensure inventories are up to date. Technicians will include a process for frequently updating inventories throughout the year rather than once a year. (to include in ICT Technician monthly meeting covered in Action C).</p> <p>IT agreed to provide the Technicians with reports from System Centre and Airwatch as starting points, to allow them to compare their records and update these as appropriate.</p>

Action	I
Finding	IT Services confirmed that the ICT Technicians have been added to the group "Sophos console administrators" meaning they can do anything from a Sophos perspective.
Action Description	IT Services should review the ICT Technicians' access and remove the administrator's role if this is not required to ensure only relevant staff have this level of access.
Risk	ICT administrators could change policy that has been set corporately by IT Services without IT Services being aware of changes made.
Priority (1, 2, 3)	2
Paragraph Reference	3.15
Managed by	Fiona Walker, Head of Service (People and ICT)
Assigned to	James McNeil, Team Manager IT Operations
Due Date	31/01/21
Management Comment	<p>IT Services will review ICT Technician rights and ensure that only rights appropriate to the ICT Technician role are implement i.e. "just enough admin" rights.</p> <p>Education comment: agree appropriate rights with IT Services (to include in ICT Technician monthly meeting covered in Action C).</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.

DRAFT

Communities and Education Directorate



ICT Guidance for Schools

Procedures Index

- New Start Procedure
- Setting up a New Device
- Inventory Procedure
- Leavers Procedure
- Disposal Procedure
- Anti-virus Software Procedure
- USB Pen Drives Procedure

April 2021

Creating New Active Directory User Accounts from Scratch

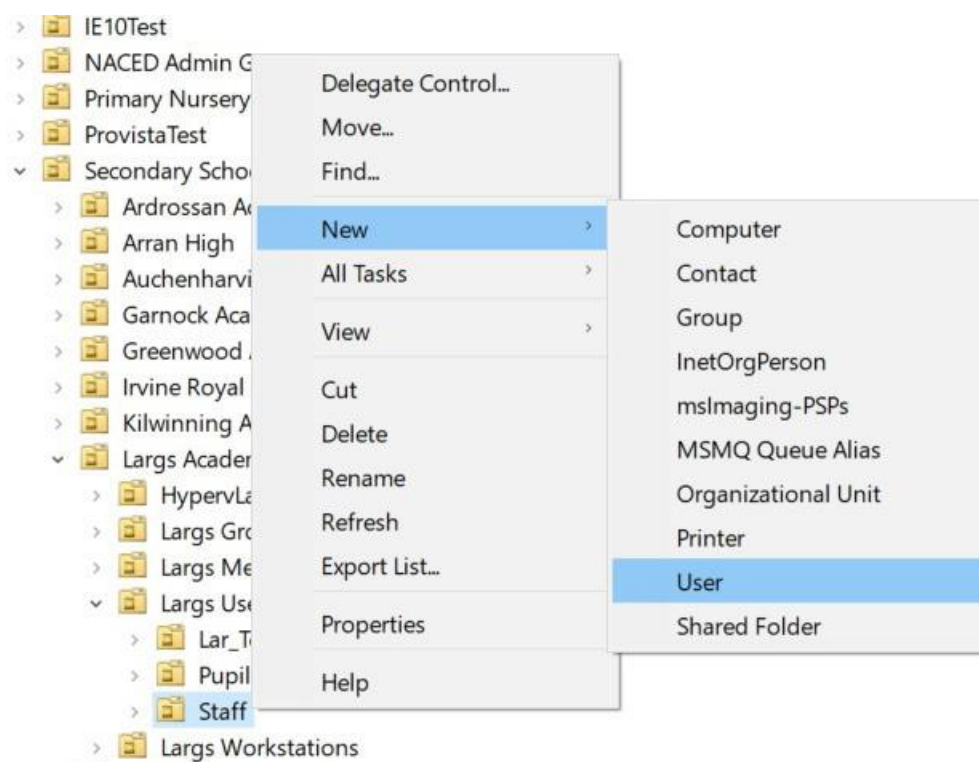
Until recently, normal practice has been when a new member of staff starts, we would have cloned the account of an existing person in the same department. This was a quick and easy way to ensure that they had access to the same resources as their colleagues. However, this risks inadvertently giving the new person permissions that they should not have.

One of the conclusions of the recent ICT audit was that, due to security risks, the process of cloning user accounts must end. Corporate ICT have already stopped the practice of cloning and instead every user is created from scratch and given membership of groups appropriate to their job. Therefore, a new user must be created for all new staff, with immediate affect.

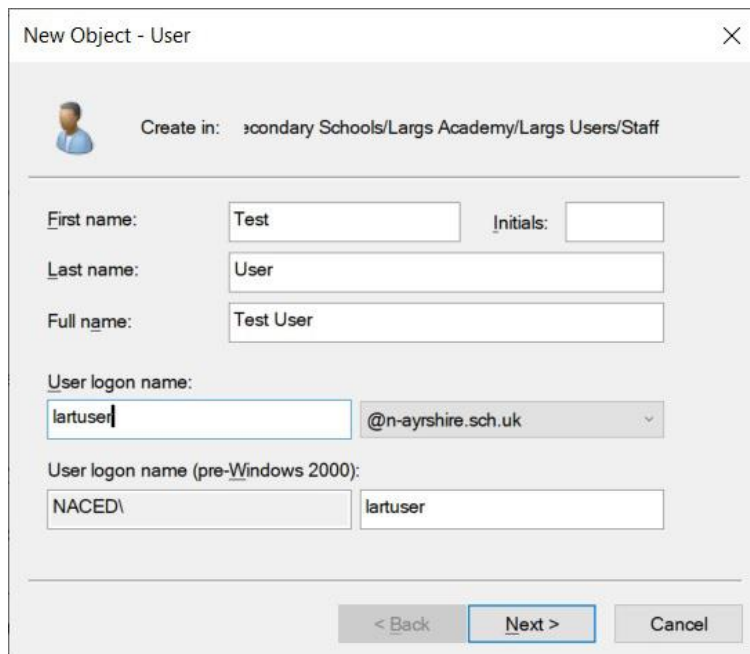
The appropriate Faculty Head/Line Manager will inform the ICT Technician when a new employee joins the school and the following process should be adhered to.

To create a new user, follow these steps:

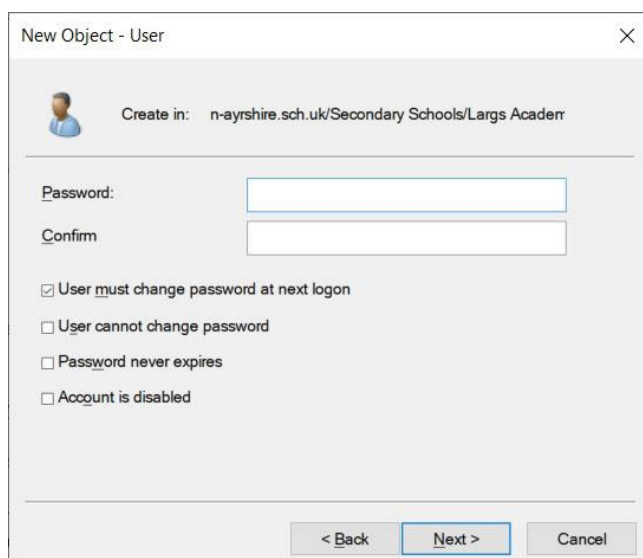
Navigate to the OU in AD where the user should be, appropriate to your own school, in this case **Secondary Schools, Largs Academy, Largs Users, Staff**. Right-click, point to **New**, and then click **User**.



Type the first name, last name, and user logon name of the new user, and then click **Next**.



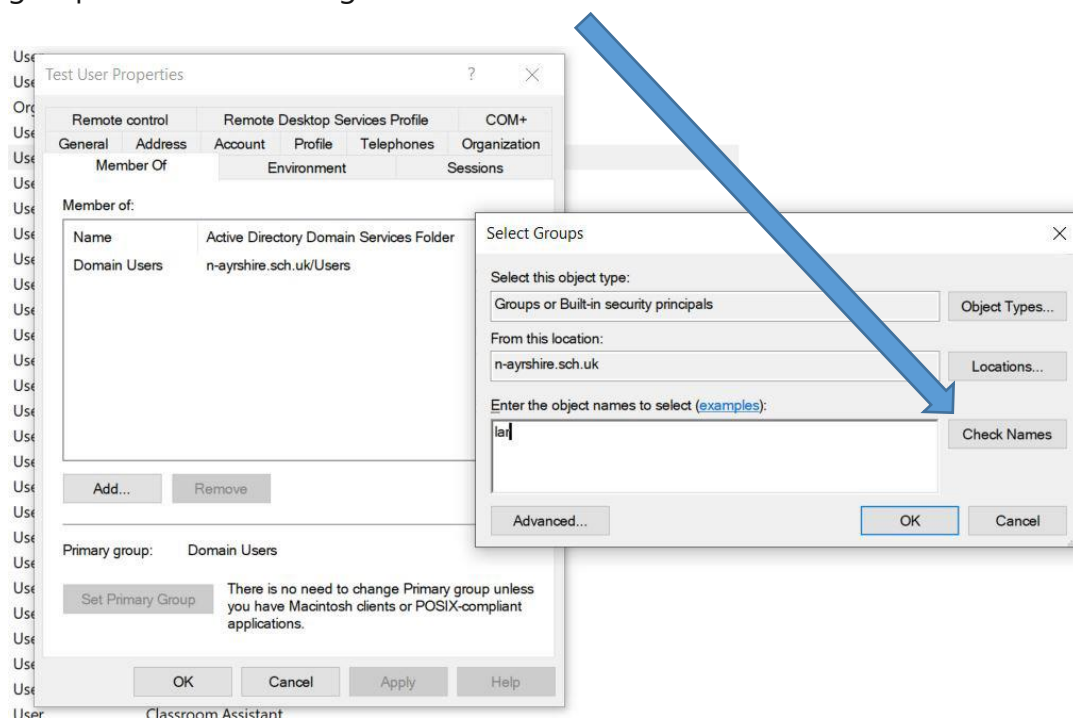
Type a temporary password, confirm the password, and then click to select **“User must change password at next logon”**



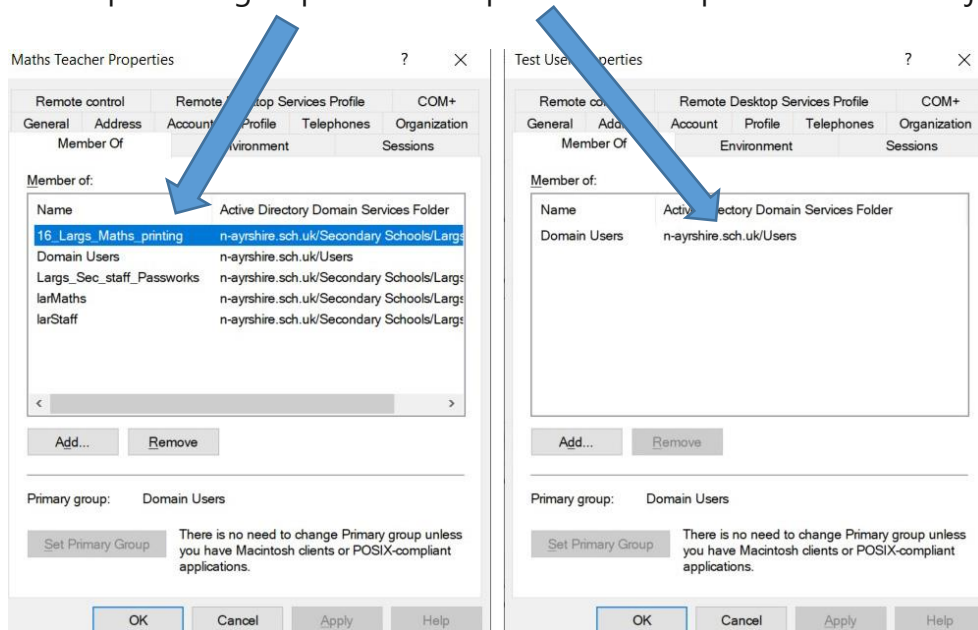
Click **Next**.

After you create the new user,

Right click the user and select **Properties**. Click the **Member Of** tab, and then click **Add**. In the **Select Groups** dialog box, specify a group, and then click **OK** to add the groups that you want to the list. This can be made easier by typing the first few characters of the group name and clicking **Check Names**




Repeat the selection process for each group that the user needs to be in. It should help to compare the group membership with another person in a similar job.



In the General tab you should add a description. (If your school uses Safecom for printing, you will have to specify the printing group here).

Test User Properties

Member Of	Environment	Sessions
Remote control	Remote Desktop Services Profile	COM+
General	Address	Account
	Profile	Telephones
		Organization

 Test User

First name: Initials:

Last name:

Display name:

Description:

Office:

Telephone number: Other...

E-mail:

Web page: Other...

If your school uses the scan to email function, you should add their email address here.

In the Profile Tab you will have to manually enter the appropriate Logon script for your school and manually enter the path to the user's H: drive

Test User Properties

Member Of	Environment	Sessions
Remote control	Remote Desktop Services Profile	COM+
General	Address	Account
	Profile	Telephones
		Organization

User profile

Profile path:

Logon script:

Home folder

☐ Local path:

☒ Connect: H:

Secondary Schools – ICT Guidance

SETTING UP A NEW DEVICE

Ordering a new device

All new IT equipment must be ordered by logging in to the [IT Services Customer Portal](#), clicking **Submit a Request** on the top menu, then choosing the **Order New IT Equipment** option.

Laptop – how to set up the encryption and direct access

All staff laptops must be encrypted to protect the data when outside of school.

- Navigate to \\nacedsrv1\mbam
- Copy the files **MbamClientSetup.exe** and **mbam.reg** to the desktop
- Run **MbamClientSetup.exe**
- Run **mbam.reg**
- Wait for a window to appear asking you to set a PIN
- Set a temporary PIN
- Encryption will begin shortly afterward
- The user must change the PIN to one of their choice after they have logged on, by clicking the **Change Encryption PIN** icon on their desktop

All staff are able to work from home using Microsoft direct Access. To enable Direct Access, simply add the laptop to the MBAM_Computers group in Active Directory. Only encrypted laptops should be given Direct Access.

iPad – how to set up on Airwatch

When purchasing a new iPad, it should come already configured for Airwatch. However, should any be sent to the school in error, you must log a job on the [IT Services Customer Portal](#) to have them added to Airwatch.

Standard Build Procedure

A standardised procedure should be followed when setting up a new device, where possible.

An **example** standard build is outlined below and may be used for such departments as English, Social Subjects, Library use etc.

Install Windows 10 Education (Latest version available. Currently 20H2. MAK version)	
Check Windows activation	
Set language and regional settings to UK	
Pre-stage computer name in Active Directory, in the appropriate OU	
Rename the computer and join n-ayrshire.sch.uk domain	
Log in to domain	
Install Sophos from \\SERVERNAME\sophosinstall	
Install latest Cumulative Update https://www.catalog.update.microsoft.com/home.aspx	
Install latest drivers for your device and Windows version http://ftp.hp.com/pub/caps-softpaq/cmit/HP_Driverpack_Matrix_x64.html	
Install Microsoft Office 2019 with accessibility tools and activate (Some schools may use earlier versions of Office)	

Install the Chrome browser (Edge will be installed as part of the Windows installation)	
Install Adobe Reader	
Install Java 8 (Check the current required version for SEEMiS)	
Install VLC Player	
Adjust Power Settings if required (e.g. devices not to sleep until after 1 period)	
Install Scottish Voice Heather	
Install Scottish Voice Stuart	
Install any printers required (Procedure varies between schools)	
Install 7zip	
Install .net3.5 (Can be installed from Windows media)	
Install SEEMiS and manually set up shortcuts	Staff devices only
Install Active Inspire Suite (Only licenced if you have a qualifying Promethean panel)	Staff devices only
Install any additional software that your school has a site licence for (e.g. LanSchool)	
Add any standard shortcuts required to public desktop (e.g. if your school has an intranet homepage)	
*If required, run gpedit.msc	
Set standard Start Layout	
Set standard wallpaper and lock screen	
Before continuing you should test everything thoroughly then capture an image prior to encryption. Encrypted hard drives shouldn't be cloned.	
Encrypt	Staff devices only
Add to MBAM_Computers group to enable home working	Staff devices only

*To set standard Start Layout run gpedit.msc

Computer Configuration, Administrative Templates, Start Menu and Taskbar, Start Layout – Set to C:\Start.xml (To export, start Windows Power Shell and run command “**Export-StartLayout –Path G:\Start.xml**” Copy xml file to C:)

Please note that this is a suggested basic build. There will be various items of subject specific software and configurations required throughout the school. It is not an exhaustive list.

Non-Standard Build

Where there is a requirement for additional software to be installed for school departments such as Music, Computing, Design Technology etc. ICT Technicians should liaise with the appropriate Faculty Head/Line Manager to install the appropriate software, which complies with NAC policies and procedures.

Secondary Schools – ICT Guidance

INVENTORY PROCEDURE

Standard Inventory Template

The enclosed standard inventory template should be used for all types of devices used within a secondary school i.e. laptops, iPads, USBs etc.

It is important that the inventory information is kept up to date on an ongoing basis i.e. as and when additions and disposals take place and NOT left to year-end. This is an audit requirement and as such copies of inventories can be requested at any point throughout the year.

Sufficient information should be recorded to enable items to be easily identified i.e. monitor, dock etc. Where IT equipment is recorded in this way, the serial number, computer name and make of the processing unit must be recorded.



Schools Inventory
Template 2021.xlsx

NAC Inventory Procedure

The NAC Inventory Procedure is enclosed for your information and adherence.



NAC Inventory
Procedures.pdf

Annual Audit

An Annual Audit should be carried out at school level and the inventory report authorised by the Head Teacher or a designated member of the School Management Team. The inventory report should be sent to headquarters for sign off by the ICT Strategic Lead for Education.

An annual audit should take place between June and July each year, a date at the end of July will be advised for the completed audit report to be sent to headquarters.

However, it is important that inventory records are kept up-to-date as Internal Audit can request copies of inventory documents at any time throughout the school year and financial year.

Secondary Schools – ICT Guidance

LEAVERS PROCEDURE

A Leavers Form has been developed which should be completed prior to a member of staff leaving the Service. Ideally within 1-2 days of the official leaving date.

- The Head Teacher should inform relevant school staff once a leaving date has been confirmed for a member of staff i.e. Education Business Officer, School Office Staff, ICT Technician, Janitor.
- A Leavers Form should be initiated and populated with the employee name and leaving date and sent to the ICT Technician to complete the appropriate sections. The ICT Technician should also inform Corporate ICT in relation to the computer login and also the Corporate 0365 account.
- The Leavers Form should then be passed to Janitorial staff to complete their appropriate sections.
- Once the form has been completed, it should be passed to the Head Teacher for authorisation.
- The Leavers Form should be held within the school for audit purposes.



Insert School Name



Staff Leavers Form

This form should be completed as close as possible to the leaving date.

Name of Staff Member:	
Leaving Date:	

Laptop/ iPad model and serial number

Make/ Model	Serial Number
HP EliteBook G4	

Please **initial** the appropriate box or mark as N/A.

Item of Equipment	Returned	Disabled	Deleted	Designation <i>(delete as appropriate)</i>	Date
Laptop/ iPad				ICT Technician/Line Manager (Primary)	
Charger				ICT Technician/Line Manager (Primary)	
Computer Login				ICT Technician/ EBO/ IT Services (Primary)	
Mobile phone/ Radio				ICT Technician	
Keys				Janitor	
ID badge/ Door entry fob				Janitor	
SEEMiS work record				EBO	
Corporate 0365 Account				EBO/ IT Services	

When a user is removed from SEEMIS their Glow login should automatically close.

Head Teacher's signature:	
Date:	

Secondary Schools – ICT Guidance

DISPOSAL PROCEDURE

NAC Disposal Procedure

The NAC Disposal Procedure should be followed by secondary schools for the disposal of IT Equipment.

The procedure is attached for your information and is also referred to in the NAC Inventory Procedure.



NAC

ict-disposal-guideline:

Procedure for uplift of IT Equipment

1. Browse to the [IT Customer Portal](#) and log a new Service Request for Equipment Collection.
2. If you have 5 or less items, please complete the form on the page and submit the request.
3. If you have more than 5 items, please download the [ICT Disposal request form \(xlsx, 18kb\)](#) and upload it to the case and submit the request.

A member of staff must be made available to oversee the collection. It is his/her responsibility to check the correct equipment has been collected, and to sign the waste transfer note from the driver.

Store equipment neatly. The serial numbers from each device will be checked by the driver at your location before being loaded onto the van. To help reduce delays, stack like items together and place keyboards, cables and mice in a box or bag.

All paperwork in relation to disposal of IT equipment should be retained in the school for audit purposes.

New devices and Anti-Virus Software

When a new device has been set up by the ICT Technician the anti-virus software should automatically be installed as soon as the new device is joined to the network. However, it is good practice to manually install. The location of the installation files will typically be \\SERVERNAME\sophosinstall

Notifications from Sophos will automatically come up on screen in relation to any viruses detected. This could include such notifications as 'potentially unwanted applications' (PUA's). These on the main are not dangerous. However, other notifications could be highlighted which require action to be taken, therefore, it is important to ensure that the anti-virus software has been installed.

Please find further information in the ICT and Cyber Security Policy enclosed.



ICT and Cyber
Security Policy.pdf

Secondary Schools – ICT Guidance

USB PEN DRIVES PROCEDURE

USB Pen Drives Policy

It is NAC policy that **only encrypted USB pen drives (AES hardware encryption)** should be used in schools and they should be included in the school inventory. The audit highlighted that there are many unencrypted devices being used in schools and many have not been properly recorded.

The use of USB pen drives should be minimised where possible. All staff have access to OneDrive and Google Drive, therefore, documents not classed as personal or sensitive should be stored in one of these Cloud locations.

Encrypted USB pen drives may continue be used to store personal/sensitive information and all devices must be recorded on the school's inventory as per North Ayrshire Council policy.

In summary:

- **Only encrypted USB pen drives can be used in schools – AES hardware encryption.**
- **Encrypted USB pen drives may continue to be used to store personal/sensitive information.**
- **Devices must be recorded on the school's inventory.**

Note:

Anyone currently using an unencrypted pen drive should have this replaced with an encrypted one immediately and ensure the unencrypted device is erased and disposed of safely.



Working Together Agreement – between Education and IT Services – May 2021

This agreement is between the Education Service and IT Services who provide IT support to our Schools. 'Schools' refers to all education establishments which include Early Years Centres and Bases.

Duration

The working together agreement will run from 01 May 2021 – 31 May 2022, the agreement will be reviewed annually thereafter.

Intent

This Working Together Agreement has been developed in collaboration between IT Services and Education. The agreement aims to provide the best value and highest quality support to schools, and enable schools to maintain reliable and suitable ICT for learning and teaching through:

- A coordinated programme of support, maintenance, and repair with a focus of prevention of future incidents.
- Support and advice for school staff to enable a speedy resolution of basic technical issues.

- Effective communication and systems for monitoring and reporting, with clear accountability and actively managed channels for feedback.
- Through a formal working group IT Services and Education will address and discuss any issues, developments, and work towards consistency in all IT related services. Formal procedures created via this group will be added to this document via a link.

Note: Throughout the document - IT Technician refers to Corporate IT and ICT Technician refers to Education school-based Technicians.

Key Responsibilities of IT Services:

- Provide remote support for hardware and software issues through the Helpdesk facility, including IT infrastructure, such as network and servers.
- Provide on-site support visits where required, examples provided in Section 3, and provide written reports recorded on the Information Technology System Management (ITSM) Customer Portal.
- Provide support on large projects, outwith term-time, to minimise impact on schools.
- Provide same day support for major IT related emergencies within schools.

Key Responsibilities of Schools:

- To adhere to the process on the [IT Customer Portal](#) for logging and repair of IT equipment in primary schools, including ensuring that appropriate arrangements are in place for IT Technicians visiting to repair equipment. Further details are outlined in the [IT Services – visits to schools](#)’ section below.
- To ensure secondary schools staff contact their ICT Technician in the first instance for any IT related support. Should the issue require escalation to IT Services, the ICT Technician will log a job.
- To ensure all ICT Technicians within Secondary Schools adhere to the procedures agreed as follows:
 - New Start Procedure
 - Setting up a New Device
 - Inventory Procedures and Annual Audits
 - Leavers Procedure
 - Disposal Procedure
 - Anti-virus Procedure
 - USB Pen Drives Procedure



ICT Procedures in
Schools.pdf

The procedures have been circulated to all ICT Technicians and will be kept in a central resource file for ease of access. Additional procedures will be added as and when agreed and a notification will be sent to Head Teachers and ICT Technicians.

Service to be provided to our schools

The **IT Helpdesk facility** is available to all schools to provide remote support of all hardware and software issues. The service is provided to resolve the majority of issues, through directed advice or live remote assistance. The facility can be accessed Monday to Thursday, 08:00am to 4.45pm and Friday 08:00 to 16:30 the number to call is 01294 324290. Alternatively, contact can be made through the online [IT Customer Portal](#).

A Job Ticket will be generated for the school under the name of the person who has called. A reference number will be given to allow easy tracking and follow up for both the client and technical staff.

For issues that cannot be resolved on the phone or require escalation an appointment will be made to visit the school to resolve.

Reporting and monitoring - a written summary of work carried out on each visit is recorded on our IT Customer Portal. Access is available to nominated education contacts within the school who have raised tickets. IT Services monitor the service to schools and their technician's processes through the Information Technology System Management (ITSM) system for any breaches of milestones and ensure updates are showing on tickets raised.

IT Services scheduled onsite support visits support a planned programme of implementation of hardware/software, maintenance and repair that provides a dependable presence at the school. Work carried out during the technical visits can include, but is not limited to, the following:

- Maintenance of curriculum and admin systems
- Support of peripheral devices e.g. printers
- Resolution of user issues and functionality
- Installation of new hardware and software
- Management of network, security, and protection
- Liaising with external suppliers to resolve specific technical issues

IT Services visits will be made by appointment. This will be negotiated in advance and applies to term time only. An individual visit may be rearranged either by the Schools or IT Services, providing both parties agree. If a visit cannot be honoured due to unforeseen circumstances, the appointment will be re-scheduled and every effort will be made to communicate this with the school as soon as possible.

Out of Term visits may be arranged for large projects to eliminate impact to the school. Head Teachers will be fully informed in advance in order for preparations to be made. Access for these visits will be arranged via an Education Service contact (key holder) who can support the opening of schools during these times.

Major Emergencies and ad-hoc callouts may be required on occasions where an onsite presence is required due to unforeseen circumstances. In all cases IT Services will follow up almost immediately with some remote support. Failing a resolution, an IT Technician will be arranged to visit the school on the day the incident is reported. Unfortunately, IT Services cannot offer emergency visits beyond 4.45pm, if reported on or after this time, an IT Technician would be scheduled for an early next day visit (9am).

Exclusions and best endeavours

IT Services will endeavour to resolve all issues encountered, However, due to the nature of some issues they may be excluded from support under the following categories:

- Beyond economic repair (where cost of repair exceeds cost of replacement)
- Out of support devices which should have been securely disposed of
- Printers not procured via the Council's required framework
- Health and Safety implications in relation to resolving issues such as carrying heavy equipment or climbing ladders.
- Mechanical failure (for systems with moving parts such as printers)
- Personal devices
- Pupil Home Devices such as Chromebooks or Ipad
- Non-standard software not previously encountered. New software and exceptions must be discussed with IT Services on a case-by-case basis.
- Peripheral Devices such as projectors, and classroom interactive and panel boards. Issues with these devices must be reported direct to the vendor by emailing AVMI on helpdesk.scotland@kinly.com

IT Services - visits to Schools

To enable IT Services to provide the services outlined in this agreement to our schools and to the best possible standards, the school must ensure the following criteria are met:

- Ensure a single or primary point of contact for IT reporting of issues is identified.
- Ensure devices are placed in the school's red box clearly marked with the ticket reference (Primary Schools only).
- Liaise with the IT Technician at both the beginning and end of the visit for updates and feedback on support and ongoing issues.
- Ensure appropriate arrangements have been made to enable the IT Technician to carry out tasks as requested (e.g. access to PC or software, suitable space to perform fixes complete with power and network access).
- Log technical tasks and jobs. This is vital to ensuring the IT Technician can prioritise workload and minimise the number of interruptions whilst working on other issues.

- Ensure access to physically restricted equipment is possible prior to a school visit.

Continuous Improvement

Continuous improvement is critical to our schools, the working group which has been set up will collaborate regularly to make technology work better for our teachers and pupils enabling their creativity and enhancing their learning.

Health and Safety

It is the school's responsibility to ensure the IT Technician is briefed on the school's health and safety procedures and that the visiting IT Technicians adhere to the school's signing in and signing out procedures. IT Technicians are not expected to lift significant technical equipment or to climb or crawl to access systems. It has also been agreed that a member of staff in our ASN schools and Bases should accompany the IT Technician throughout the visit to ensure children and young people do not feel anxious.

Note:

Enquiries for device pricing or procurement of Technology MUST be requested from IT Services and not Education Services through the online Customer Portal or by calling 01294 324290.

NORTH AYRSHIRE COUNCIL

1st June 2021

Audit and Scrutiny Committee

Title:	Economic Development and Regeneration Services Update re: Former Seafield School, Eglinton Road, Ardrossan
Purpose:	To provide an update on the actions being taken in respect of the Former Seafield School as requested
Recommendation:	That the Committee note Economic Development and Regeneration's update

1. Executive Summary

- 1.1 The Committee considered a petition in relation to Seafield House, Ardrossan at its meeting of 26th March 2019. The Committee agreed a number of actions and requested that updates on progress be provided. Subsequently, updates were provided to the Committee in August 2020 and again January 2021.
- 1.2 The Planning Committee granted authority for the issue of a Notice (an Amenity Notice) under Section 179 of the Town and Country Planning (Scotland) Act 1997. The Notice required: (i) the removal of all litter and refuse from the site; (ii) the movement of all demolition rubble to the north of the Seafield Stables building, the rubble to be stored so that it is not above the height of the boundary wall with Witches Lynn; and (iii) the boarding of all window and door openings with exterior grade plywood or similar in Seafield House and Seafield Stables, with the exception of those opening on the first floor of the eastern wing of the House (the fire damaged area.)
- 1.3 The Notice was issued 24th September 2019. The Notice took effect on the 24th October 2019 as no appeal against the Notice was made. The compliance period for the Notice expired on the 5th December 2019. The requirements of the Notice were met in September 2020. Litter and refuse were removed from the site. The rubble has been moved as required. The openings were boarded, although the boards, particularly on the ground floor, were vandalised within days. The Amenity Notice no longer has any effect.
- 1.4 The matter was also considered by Building Standards in terms of their powers to ensure public safety associated with buildings and sought the bricking up of windows and door openings. The ground floor windows and doors were bricked up in the weeks leading up to 13th April 2021.

- 1.5 Officers from Economic Development and Regeneration Services have also met with the owners of the site. There has been a resolution from the owner to produce a Feasibility Study for the redevelopment of the site. This will be supported by the Council's Economic Development & Regeneration Service and discussions are ongoing.

2. Background

- 2.1 The property was last used as a residential school. It has been vacant since at least June 2015. The property was subject of a fire in October 2017 which damaged the eastern wing of the property. The property and the former stable block have been the subject of vandalism. Windows on both properties have been smashed.
- 2.2 A Planning Authority cannot compel a landowner to develop a site. The powers available to a Council, as Planning Authority, were set out in the report to the Committee of 26th March 2019. It was in this context that the Committee agreed the actions including that Planning Services seek authority from the Planning Committee for the issue of notices available under the powers available to the Planning Authority, as considered necessary and including Section 179 of the Town and Country Planning (Scotland) Act.
- 2.3 The Planning Committee authorised the issue of such a Notice at its meeting of 4th September 2019. The Notice required: (i) the removal of all litter and refuse from the site; (ii) the movement of all demolition rubble to the north of the Seafield Stables building, the rubble to be stored so that it is not above the height of the boundary wall with Witches Lynn; and (iii) the boarding of all window and door openings with exterior grade plywood or similar in Seafield House and Seafield Stables, with the exception of those opening on the first floor of the eastern wing of the House (the fire damaged area.)
- 2.4 Planning Services sought quotes for the work and also informed the landowner of impending direct action. In the week leading to the 9th September 2020, the landowner carried out the works. The refuse was cleared, and the rubble stockpiled to the north of the stable building, as per the requirements of the Notice. It is also understood the windows were boarded. However, these were almost immediately vandalised. Local reports suggest the boards had been broken by the 12th September 2020. There have been further reports of vandalism and unauthorised entry since that date. Planning Services have made the owner aware of this and asked them to take steps to secure the property.
- 2.5 Given that the Notice was complied with, should the condition of the land be considered to harm amenity a further Notice would be required. It is not considered that such action is required at present. The owner has been requested to review and repaint/repair the boundary railings which they have undertaken to do. These, along with the boundary wall and gate piers, are a Listed Building in their own right.
- 2.6 The Council, as Planning Authority, also has powers under the Planning (Listed Buildings and Conservation Areas) (Scotland) Act 1997 to compulsory purchase a listed building in urgent need of repair. The Committee asked for this to be explored and considered such action and the issue of a 'Repairs Notice' as a precursor at its meeting of 10th September 2019. The Committee decided that no further action should be taken at that time in respect of the service of a Repairs Notice.

- 2.7 The bricking up of ground floor openings, as requested by Building Standards, has improved the security of the site. However, reports of unauthorised access continue to be passed to the owner when the council are made aware of this and the Police and Fire Service continue to respond when issues are reported to them by members of the public.
- 2.8 It is understood the Ardrossan Community Sports Hub have taken a lease of the gymnasium within the school grounds. They have carried out some works, including the erection of a fence in front of the main building. These works are ongoing, but the fence should help separate users of the gymnasium from the empty buildings. An occupant of the gymnasium should also provide additional surveillance of the listed buildings.
- 2.9 In terms of future use of the site, discussions have been held between Council Officers from Economic Development and Regeneration Services and the owner. There has been an undertaking by the owner to produce Feasibility Study as to the type of development which could utilise the site. The site is allocated in the Local Development Plan as part of the settlement of Ardrossan, meaning residential development is acceptable in principle. The Feasibility Study should consider the potential ways such a development could be realised given the Listed Building status of the main building, the former stables and the boundary.
- 2.10 The recently approved Regeneration Delivery Plan sets out the Council's priorities for the delivery of physical regeneration. It sets out a plan to regenerate strategic regeneration sites and places by working together with businesses and communities. A review of third party assets is identified as an action in the Plan. This will review identified sites to address a recognised problem or facilitate positive re-development. The Council's Economic Development & Regeneration Service has agreed to support the development of such a study for the Seafield site in line with this action.

3. Proposals

- 3.1 That the Committee note Economic Development and Regeneration's actions to date in respect of the property and the ongoing work to support redevelopment of the site.

4. Implications/Socio-economic Duty

Financial

- 4.1 None from the proposals in this report.

Human Resources

- 4.2 Ongoing staffing implications for Planning Services and Building Standards in dealing with complaints related to the site and the follow up actions.

Legal

- 4.3 The proposed action would be in accordance with the relevant Acts.

Equality/Socio-economic

- 4.4 There are no impacts from actions detailed but re-development of the site would realise positive socio-economic benefits.

Environmental and Sustainability

- 4.5 There are no impacts from actions detailed but re-development of the site could realise positive environmental and sustainability benefits

Key Priorities

- 4.6 Protecting and enhancing the environment for future generations.

Community Wealth Building

- 4.7 There is potential for the vacant site to be brought back into use informed by a new Feasibility Study and for its development to support the local economy.

5. Consultation

- 5.1 None.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Iain Davies, Senior Development Management Officer**, on **01294 324 320**.

Background Papers

0

NORTH AYRSHIRE COUNCIL

1 June 2021

Audit and Scrutiny Committee

Title: **Accounts Commission's Report: Local Government in Scotland: Financial Overview 2019/20**

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

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

1. Executive Summary

- 1.1 The Accounts Commission published its 2019/20 financial overview of local government in Scotland in January 2021. The report provides a high-level independent analysis of the financial performance of Councils and Integration Joint Boards (IJBs) during 2019/20. A link to the report is attached below;

[Local Government in Scotland : Financial Overview 2019/20](#)

- 1.2 The report analyses the annual accounts produced by Councils and IJBs, together with the reports of each body's external auditors, to identify their relative performance, highlight the challenges faced and assess their responses to these challenges. The report has a summary of key findings with more detail provided in four parts;

- Part 1 - Councils' income in 2019/20;
- Part 2 - Councils' financial position in 2019/20;
- Part 3 - Councils' financial outlook; and
- Part 4 - Integration Joint Boards' overview 2019/20.

- 1.3 Although the impact of the Covid-19 pandemic during 2019/20 was limited, the report highlights the financial uncertainty which has resulted from the pandemic during 2020/21, and beyond, and notes that this will be the primary focus of future Accounts Commission reporting. To support the scrutiny of public bodies' response to the pandemic, Audit Scotland has published a guide for audit and risk committees which seeks to highlight the key issues for consideration by elected members during the Covid-19 pandemic. A link to the document is attached here:

[Audit Scotland: Guide for audit and risk committees](#)

2. Background

Financial Overview 2019/20

- 2.1 The report provides a high-level independent analysis of the financial performance of Councils and IJBs during 2019/20 and their financial position at the end of that year
- 2.2 A summary of the key messages is provided within the report with further information provided in 4 main sections:
- Part 1 - Councils' income in 2019/20;
 - Part 2 - Councils' financial position in 2019/20;
 - Part 3 - Councils' financial outlook; and
 - Part 4 - Integration Joint Boards' overview 2019/20.
- 2.3 Common themes emerge across the Summary and the four Parts of the report, some of which have been contained within previous Accounts Commission overview reports. The key messages for Councils and Integrated Joint Boards (IJBs) are summarised below:

Councils

- Although Councils' funding has increased during 2019/20, this was primarily driven by additional policy requirements, including the expansion of early learning and childcare. Reductions over the past seven years are still larger than in other areas of the Scottish Government budget;
- Councils are experiencing challenges in delivering the level of recurring savings required to balance their annual budgets;
- Uncertainty around the additional funding being provided by the Scottish Government meeting the anticipated costs of Covid-19 and;
- The wider impact of Covid-19 on Councils in terms of delays to investment, the realisation of savings and debt recovery, as well as uncertainty around arms length external organisations' future stability.

Integration Joint Boards (IJBs)

- The majority of IJBs struggled to achieve break-even in 2019/20;
- Uncertainty around the costs of Covid-19 and the level of Scottish Government funding provided; and
- Turnover of IJB senior staff.

2.4 An update on the position for North Ayrshire Council and the North Ayrshire IJB is noted below:

North Ayrshire Council

- The impact of the historic Scottish Government funding trend on North Ayrshire is summarised in appendix 1;
- The Long Term Financial Outlook 2021/22 to 2030/31 was approved by Council on 16 December 2020 and provides the cornerstone of the Council's strategic financial framework and establishes a sound basis for the development of the Council's medium term financial plans and annual budgets;
- The Council approved the General Services Revenue Estimates 2021/22 to 2023/24 on 4 March 2021 which provided Members with an overview of the Council's anticipated financial position on the General Fund revenue budget for the next three financial years;
- The Council achieved 94% of its budgeted savings within 2019/20, with delays in the realisation of savings being met from underspends within services;
- The Council has received £29.4m of additional funding in relation to Covid-19 during 2020/21 and is currently reporting a net in year underspend position;
- The ongoing impact of Covid-19 on the Council has been reported to Cabinet throughout 2020/21 as part of the financial performance reporting arrangements.

North Ayrshire Integration Joint Board

- In 2019/20 the HSCP reported an overall overspend of £0.154m, with the IJB's outstanding deficit increasing to £5.293m at 31 March 2020. However, the IJB is reporting a projected underspend for 2020/21 and it is anticipated that the net debt to the Council will be reduced by £1.486m;
- The most recent mobilisation plan cost submission estimated costs of £10.2m to March 2021. The Scottish Government confirmed full funding for Covid related costs on 5th February 2021. This includes support for the under delivery of 20-21 savings.
- There were no changes in chief officer during 2019-20 but there has been a change during 2020-21 with Caroline Cameron taking on the role of Chief Officer from December 2020. There have been 3 Chief Officers to the North Ayrshire IJB since inception.

3. Proposals

- 3.1 That the Committee i) notes the findings of the recent Accounts Commission report, and (ii) notes the current position of North Ayrshire and the Integration Joint Board in relation to the findings.

4. Implications/Socio-economic Duty

Financial

- 4.1 The Accounts Commission report highlights the reliance of local government on Scottish Government grant funding and the need for the development of robust medium and longer term financial plans to develop sustainable solutions to bridge the anticipated funding gap. North Ayrshire Council develops medium term financial plans on a three year rolling basis and Council has approved a Long Term Financial Outlook covering the next 10 year period. The financial sustainability of the Council and the IJB, including the impact of the Covid-19 pandemic, is monitored regularly and reported to Cabinet throughout the year.

Human Resources

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

Legal

- 4.3 None.

Equality/Socio-economic

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

Environmental and Sustainability

- 4.5 None.

Key Priorities

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

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 Consultation took place with the Health and Social Care Partnership in the preparation of this report.

Mark Boyd
Head of Service (Finance)

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

Background Papers

None

Local Government in Scotland Financial Overview 2019/20

Summary

Ref	Key Message	NAC / IJB Feedback
S1	Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget.	<p>In 2019/20 NAC's total Scottish Government funding increased by £13.125m, 4.8% in cash terms and 2.8% in real terms.</p> <p>However, this represented additional funding for national priorities of £16.977m (6.2%) resulting in a reduction to core funding of £3.852m, a reduction of 1.4% in cash terms and 3.3% in real terms.</p> <p>The real terms reduction in core funding for NAC since 2013/14 is 15.7%, this has been offset by a real terms increase of 24% in respect of additional funding for national priorities.</p>
S2	Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare.	The £13.125m additional funding included additional funding for national priorities of £5.737m for Teachers Pay and Superannuation, £5.621m for the expansion of Early Learning and Childcare and £4.028m of additional funding for Health and Social Care Partnerships.
S3	Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings.	<p>As part of the 2019/20 Medium Term Financial Plan, NAC proposed total savings of £8.551m plus £4.229m for the HSCP. 94% of Council savings were delivered within 2019/20. Where the realisation of savings was delayed, any shortfall was met from underspends within services.</p> <p>The delivery of savings for 2020/21 within both NAC and the HSCP has been significantly impacted by the Covid-19 pandemic.</p>
S4	More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20.	During 2019/20 NAC's totable usable reserves reduced by £0.315m. This included a £2.726m increase in unearmarked reserves, set aside to help mitigate the impact of Covid-19 and support recovery and renewal activities, offset by a £1.522m reduction in earmarked reserves and a £1.519m reduction in specific reserves, i.e. insurance and capital funds.

S5	Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20).	In the period between 2005/06 and 2019/20 NAC made payments in relation to equal pay claims of £12.070m and set aside a further £0.147m in relation to outstanding claims. These funds had been identified and set aside before 2015 and had no impact on the reported expenditure for 2019/20 .
S6	The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain.	The Scottish Government distributed £1,243m during 2020/21 to support Covid-19 related costs within local authorities with NAC receiving allocations of £29.4m. As at March 2021, NAC reported that the projected additional net costs in relation to Covid-19 for 2020/21 had been met from the additional funds provided. £17m of the additional funding was not distributed until March 2021 and will be applied to address the ongoing and uncertain financial impact of the pandemic and the Council's recovery and renewal planning.
S7	Councils' auditors reported wider medium-term financial implications of Covid-19.	Potential medium and longer term legacy cost and income pressures of the pandemic will be addressed as part of the Council's recovery and renewal planning.
S8	A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners.	<p>In 2019-20 the North Ayrshire HSCP reported an overall overspend of 0.154m (£1.250m over in social care services and £1.096m underspend in health services). This position included the £1.486m budget being held on behalf of the IJB by the Council for debt repayment, as this was required to be transferred back to the IJB at the financial period-end. This overall overspend added to the historic debt carried forward from previous years to £5.293m.</p> <p>2020-21 has seen an improvement in the financial performance and at month 9 against the full-year budget of £259.787m there was a projected year-end underspend of £1.245m (0.5%) after allowing for the repayment of £1.5m of the historic debt. This overall position consists of a projected underspend of £0.078m in social care services and a projected underspend of £1.167m in health services.</p>
S9	Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as	The most recent mobilisation plan cost submission estimated the costs to be £10.211m to March 2021.

	£422 million. It is not yet clear whether the Scottish Government is to fund all of these costs.	<p>The majority of the additional costs for the HSCP related 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> <p>The Scottish Government confirmed full funding for Covid related costs on 5th February 2021. This includes support for the under delivery of 20-21 savings .</p>
S10	Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20.	There were no changes in chief officer during 2019-20 but there has been a change during 2020-21 with Caroline Cameron taking on the role of Chief Officer from December 2020. There have been 3 Chief Officers to the North Ayrshire IJB since inception.

Part 1 Councils' income in 2019/20

Ref	Key Message	NAC Feedback
P1 (1)	Councils' funding and income increased by £0.8 billion in 2019/20.	Refer to S1
P1 (2)	The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget.	Refer to S1
P1 (3)	Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare.	Refer to S2

Part 2 Councils financial position in 2019/20

Ref	Key Message	NAC Feedback
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P2 (1)	On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils.	Refer to S3																								
P2 (2)	In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19.	Refer to S6 and S7																								
P2 (3)	More councils added to their usable revenue reserves in the year totalling £65 million (net).	Refer to S4																								
P2 (4)	Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue.	The current level of NAC general fund unearmarked reserves is £9.659m, equivalent to 2.7% of budgeted expenditure. This is within the recommended range of 2% - 4% for general reserves.																								
P2 (5)	Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year.	Refer to S5																								
P2 (6)	Councils had the highest level of capital expenditure of the last five years.	<div>Actual Capital Expenditure for NAC was:</div> <table><tr><th>Year</th><th>General Fund</th><th>HRA</th><th>Total</th></tr><tr><td>2019/20</td><td>£33.0m</td><td>£37.8m</td><td>£70.8m</td></tr><tr><td>2018/19</td><td>£32.0m</td><td>£29.0m</td><td>£61.0m</td></tr><tr><td>2017/18</td><td>£32.0m</td><td>£25.5m</td><td>£57.5m</td></tr><tr><td>2016/17</td><td>£48.7m</td><td>£22.9m</td><td>£71.6m</td></tr><tr><td>2015/16</td><td>£56.2m</td><td>£20.0m</td><td>£76.2m</td></tr></table>	Year	General Fund	HRA	Total	2019/20	£33.0m	£37.8m	£70.8m	2018/19	£32.0m	£29.0m	£61.0m	2017/18	£32.0m	£25.5m	£57.5m	2016/17	£48.7m	£22.9m	£71.6m	2015/16	£56.2m	£20.0m	£76.2m
Year	General Fund	HRA	Total																							
2019/20	£33.0m	£37.8m	£70.8m																							
2018/19	£32.0m	£29.0m	£61.0m																							
2017/18	£32.0m	£25.5m	£57.5m																							
2016/17	£48.7m	£22.9m	£71.6m																							
2015/16	£56.2m	£20.0m	£76.2m																							
P2 (7)	Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19.	<div>Following discussion with our external auditors and property valuers a note on the risk of valuation uncertainty was included in the audited annual accounts for the Council as a result of Covid-19.</div> <div>The valuers have continued to exercise professional judgement in preparing the valuations and these have been based on the best and most reliable information available at the balance sheet date.</div>																								
P2 (8)	Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks.	The Council participates in the Local Government (Scotland) Superannuation Scheme, administered through the																								

		Strathclyde Pension Fund. At 31 March 2020 the Scheme's funding level was 105%, providing sufficient security and income to meet future pension liabilities.
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Part 3 Councils' Financial Outlook

Ref	Key Message	NAC Feedback
P3 (1)	2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets.	Refer to S3 For 2020/21 the Medium Term Financial Plan reported a gross budget gap of £12.746m which was addressed through Use of Reserves £0.548m Council Tax Increase £3.348m Savings £8.850m NAC's MTFP covers a 3 year period providing a balanced budget for year 1 with indicative funding gaps remaining for the following 2 years.
P3 (2)	Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4% in real terms, but this is to fund the expansion in Early Learning and Childcare.	Refer to S1
P3 (3)	The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income.	Refer to S6
P3 (4)	We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 percent of the cost pressures identified by councils through COSLAs cost gathering exercise, although total costs and funding are still uncertain.	The last COSLA cost gathering exercise was completed in July 2020 and does not reflect the further restrictions and measures introduced after that point. Refer to S6
P3 (5)	Scottish Government capital funding to local government in 2020/21 is decreasing by 30 percent in real terms.	On a like for like basis, the Council's allocation of General Capital Grant reduced by £2.4m (20%) between 2019/20 and 2020/21. The Capital Investment Programme reflects the reduced funding available.

P3 (6)	Councils need to review and revise their medium term financial plans due to Covid-19.	Although the medium term financial plan for 2021/22 to 2023/24 does not currently include any assumptions in relation to the costs arising from Covid-19, the report noted the projected outturn position for 2020/21 within the context of risks facing the Council from the COVID-19 pandemic and approved the utilisation of available financial flexibilities to address pressures during 2021/22 and beyond.
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Part 4 Integration Joint Boards

Ref	Key Message	NAC Feedback
P4 (1)	A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits	Refer to S8
P4 (2)	Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs.	Refer to S9
P4 (3)	Revisions will be required to medium term financial plans to reflect the impact of Covid-19.	<p>The medium-term financial plan is integrated to the strategic plan. The IJB have previously agreed to a one year bridging strategic plan with intention to publish a longer-term plan by April 2022. The benefits of this approach:</p> <ul style="list-style-type: none"> • Allows more time to understand the impact of the pandemic • Allows more time for effective engagement • Brings North HSCP into the same planning cycle as all other HSCPs <p>It will not be possible to develop an informed medium term financial plan beyond 2021-22, due the impact of the pandemic and also the unknown impact of the policy, legislation and funding implications of the recently published report on the Independent Review of Adult Social Care. The</p>

		<p>main unknowns to project the financial position of the IJB beyond 2021-22 relate to funding and pay related inflationary pressures, which are not yet known fully for 2021-22 therefore making future planning scenarios beyond this very difficult.</p> <p>The intention is to update the medium-term financial plan over summer 2021. This will cover the period 2022-23 onwards, with consideration to aligning the time period to the next iteration of the strategic plan.</p>
P4 (4)	There were changes in chief officer at 12 IJBs in 2019/20.	Refer to S10

Local government in Scotland

Financial overview 2019/20



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2021

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Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ross, under the direction of Brian Howarth.

Links



PDF download



Web link



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.

Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.


In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a [Guide for audit and risk committees](#)  to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

Elma Murray

Interim Chair of the Accounts Commission

Key messages

Councils and pension funds

- 1** Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
- 2** Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare
- 3** Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings
- 4** More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20
- 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)
- 6** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain
- 7** Councils' auditors reported wider medium-term financial implications of Covid-19

Integration Joint Boards (IJBs)

- 8** A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners
 - 9** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs
 - 10** Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20
-

About this report







1. This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

2. Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

3. The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

4. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

Key facts

		2019/20 £ billion	2018/19 £ billion	Movement
	Councils' funding and income	£18.5	£17.7	4.5%
	Scottish Government revenue funding	£10.3	£9.8	5.4%
	Councils' capital spending	£3.6	£2.8	29.0%
	Councils' usable revenue reserves	£2.0	£1.9	3.4%
	IJBs' spending	£9.2	£8.6	7.0%
	Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	£1.2 billion		

Councils' income in 2019/20

Key messages

- 1** Councils' funding and income increased by £0.8 billion in 2019/20
 - 2** The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
 - 3** Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare
-

Total revenue funding and income

Councils' funding and income increased by £0.8 billion in 2019/20

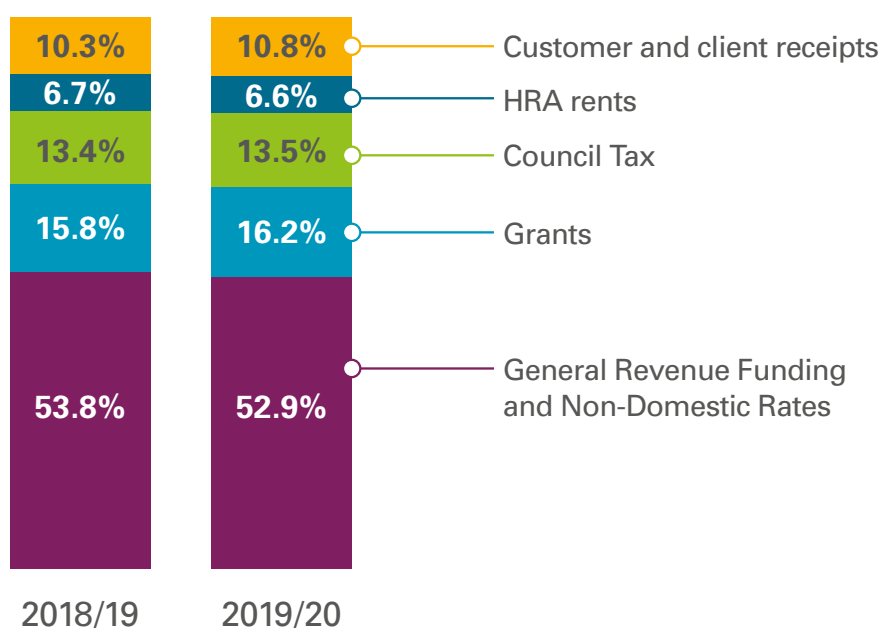
5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years ([Exhibit 1](#)) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Councils' funding and income increased by £0.8 billion in 2019/20.

Exhibit 1

Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

Scottish Government funding

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms ([Exhibit 2](#)). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

Exhibit 2

Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
Total revenue funding	9,795	10,319	5.4%	3.4%
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,150	10,674	5.2%	3.2%

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Funding in 2019/20 improved relative to others, but an historic difference still exists

9. Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms ([Exhibit 3, page 12](#)). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

10. There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

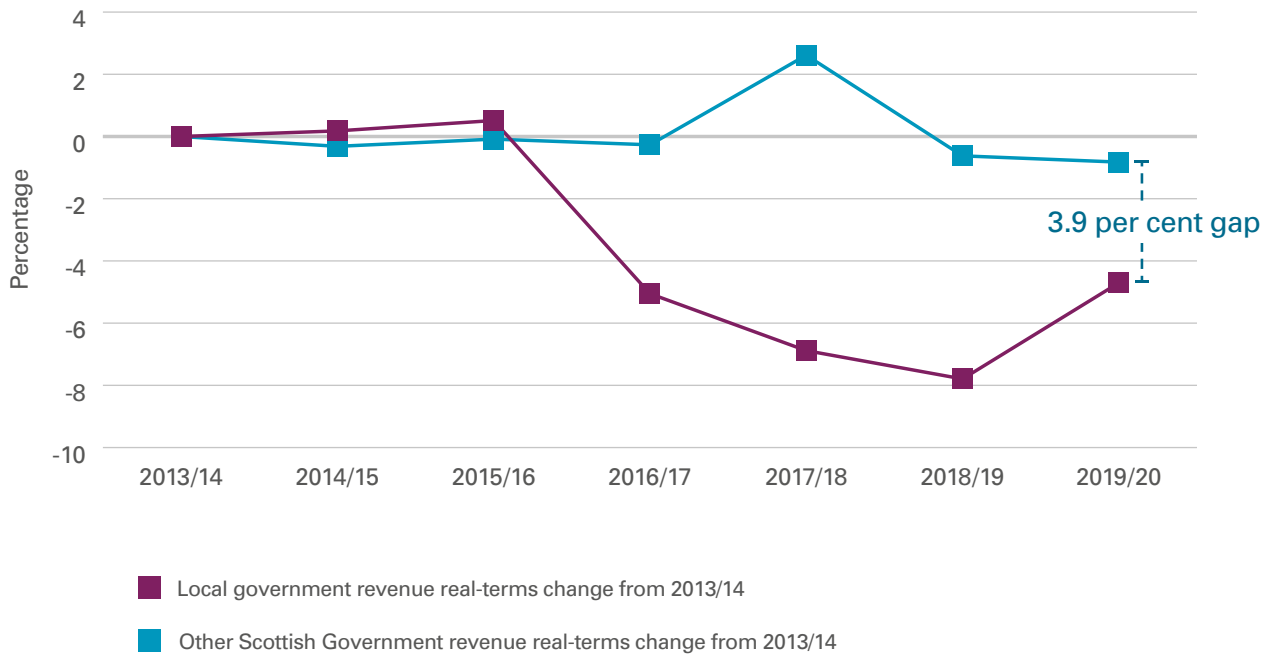
11. Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

Scottish Government revenue funding increased by 3.4% in real terms in 2019/20. Nearly half of this was to support the expansion in Early Learning and Childcare.

Exhibit 3

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Councils' financial position in 2019/20

Key messages

- 1** On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils
 - 2** In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19
 - 3** More councils added to their usable revenue reserves in the year totalling £65 million (net)
 - 4** Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue
 - 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year
 - 6** Councils had the highest level of capital expenditure of the last five years
 - 7** Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19
 - 8** Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks
-

Council budgets and outturn 2019/20

In 2019/20 budget gaps were to be addressed by planned savings

12. In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

Councils appear to have delivered 2019/20 savings plans, but with significant variation

13. A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.
- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

Impact of Covid-19

The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

14. Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see [paragraph 70](#)) in 2019/20 was limited to between £20 million and £25 million.¹ Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

15. There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.
- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

The financial effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.
- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.
- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.
- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.
- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

Reserves

More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

16. Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 ([Exhibit 4, page 16](#)). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

17. The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year ([paragraph 28](#)).

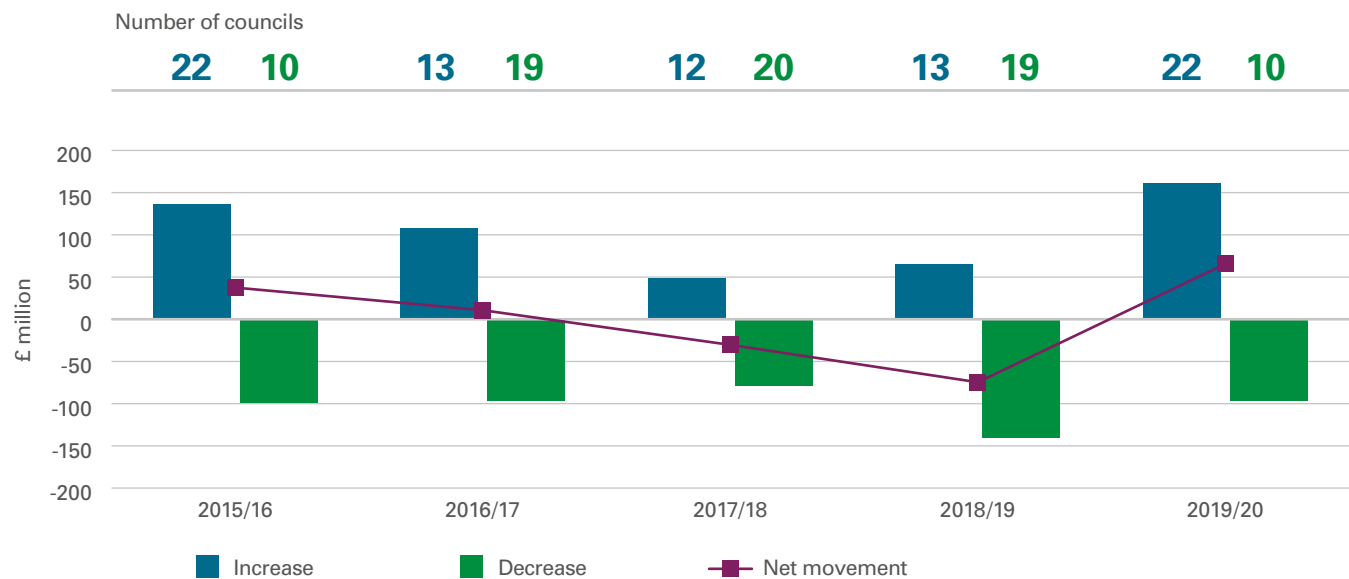
18. Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

More councils added to their usable revenue reserves in 2019/20, with a net increase of £65 million across all councils.

Exhibit 4

Movement in usable revenue reserves over the past five years

More councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

There is variation in whether councils have been adding to or using up general fund reserves

19. Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

20. Exhibit 5 (page 17) shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

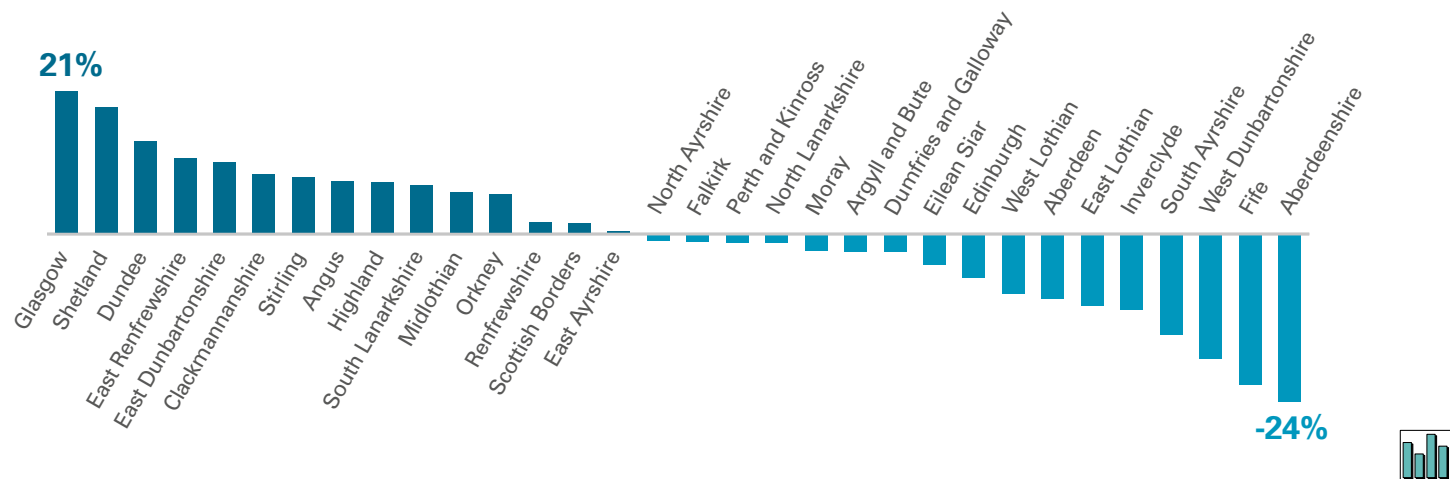
Moray Council sustainability has improved with a significant surplus in 2019/20

21. In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

Exhibit 5

Average annual movement in the general fund (including HRA) over the last three years

The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

22. Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues ([Exhibit 5](#)). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

23. Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent [Best Value Assurance Report](#) (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

24. Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

Capital

Councils recorded the highest level of capital expenditure over the last five years

25. Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase ([paragraph 28](#)). Excluding this, capital expenditure is still the highest level recorded by councils



Best Value Assurance
Report: Aberdeenshire
Council

October 2020

over the last five years. This is aligned with a peak in Scottish Government capital funding ([Exhibit 12, page 29](#)).

Some councils had significant increases in their capital investment:

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.
- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

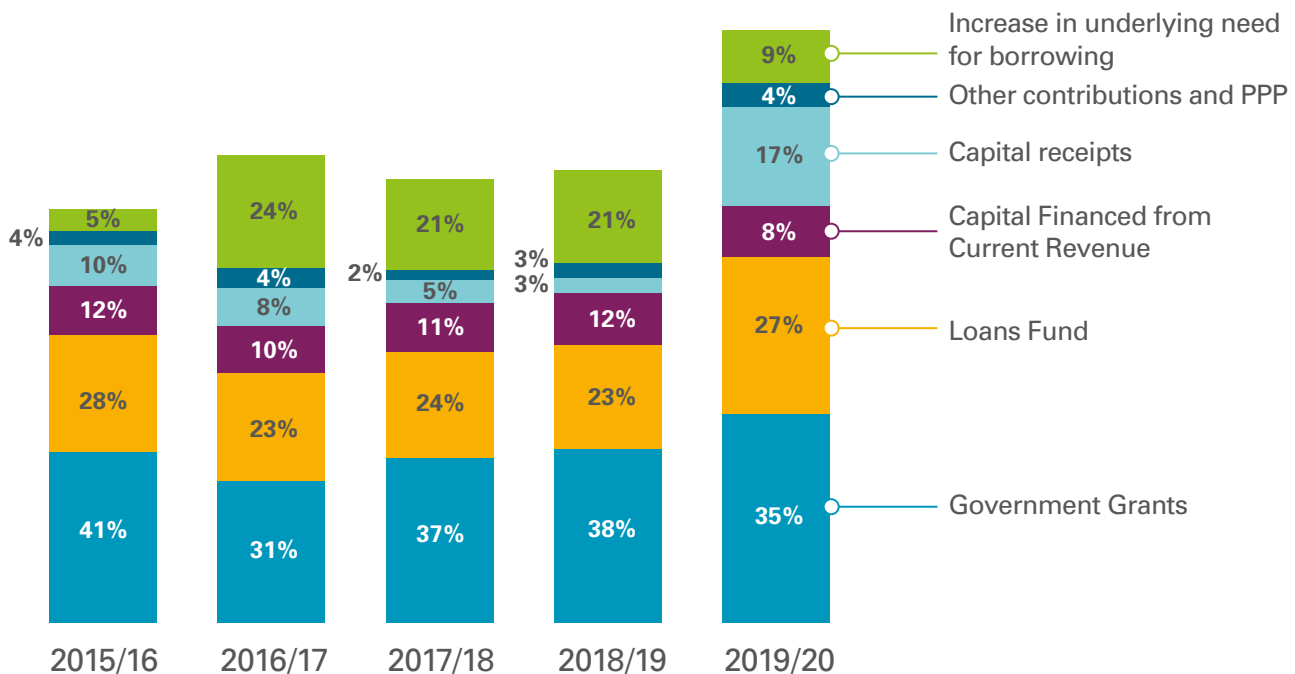
The main sources of capital financing are still government grants and internal loans fund repayments from council services

26. Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 ([Exhibit 6](#)).

Exhibit 6

Capital expenditure analysed by source of finance 2015/16 to 2019/20

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

Debt

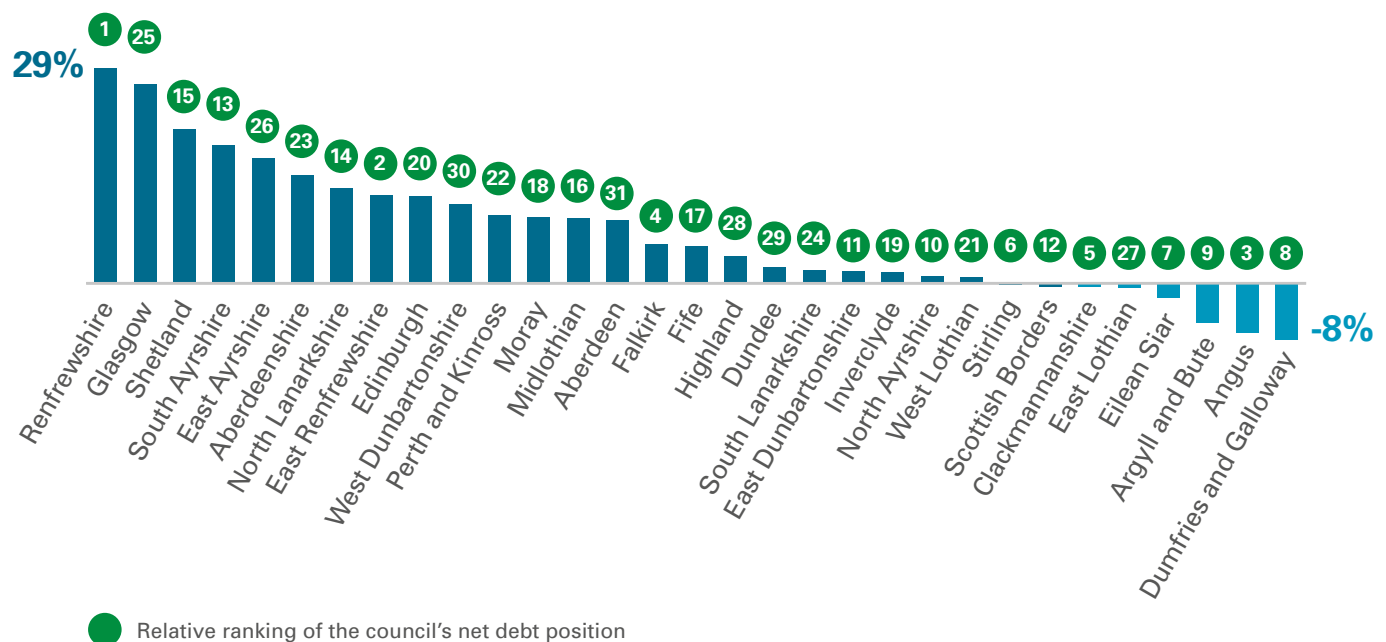
Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt² less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. [Exhibit 7](#) shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties ([paragraph 28](#)) also contributed to a significant increase in its net debt position.

Exhibit 7

Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.

The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

Equal pay settlements at Glasgow City Council were financed through sale and leaseback

28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any

future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council ([paragraph 17](#)).

29. The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

Audit of 2019/20 annual accounts

Auditors drew attention to material uncertainty in property valuations relating to Covid-19

30. Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

Local Government Pension Funds

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

31. The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position ([Exhibit 8](#)).

Exhibit 8

Investment returns based on average assets in Scottish Pension Funds 2019/20

2019/20 investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

Funds still tended to outperform their benchmarks

32. In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

Some elements of pension investments were more uncertain as result of Covid-19

33. A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investments at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

The next triennial valuation of Scottish Local Government Pension Funds is due to be completed in March 2021

34. Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19, but most funds still tended to outperform their benchmarks.

Councils' financial outlook

Key messages

- 1** 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets
 - 2** Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare
 - 3** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income
 - 4** We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain
 - 5** Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
 - 6** Councils need to review and revise their medium-term financial plans due to Covid-19
-

Budget gap 2020/21

Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

35. Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

36. Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

More councils presented multi-year indicative budgets in 2020/21

37. A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

2020/21 funding settlement

Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

38. The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent ([Exhibit 9](#)).

Exhibit 9

Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding)

Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
Total revenue funding	10,319	10,668	3.4%	1.4%
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,674	11,023	3.3%	1.3%

Source: Finance Circulars 04/2020 and Scottish Government budget documents

Most of the increased funding in 2020/21 was to fund the expansion in Early Learning and Childcare

39. Specific revenue grants increased in cash terms by £202 million in 2020/21, growing from 4.9 per cent of total revenue funding to 6.7 per cent. This represented 1.4 per cent of the increase in revenue funding in cash terms between 2019/20 and 2020/21. Most of this increase was due to an additional £201 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2021.

Financial impact of Covid-19 in 2020/21

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million³

40. As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures)*, (July 2020) and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

41. This estimate does not include additional social care costs which are covered in [paragraph 70](#) as part of Health and Social Care Partnership costs.

Lost income accounts for over half of Covid-19 costs in councils

42. Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income ([Exhibit 10, page 25](#)). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

43. Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

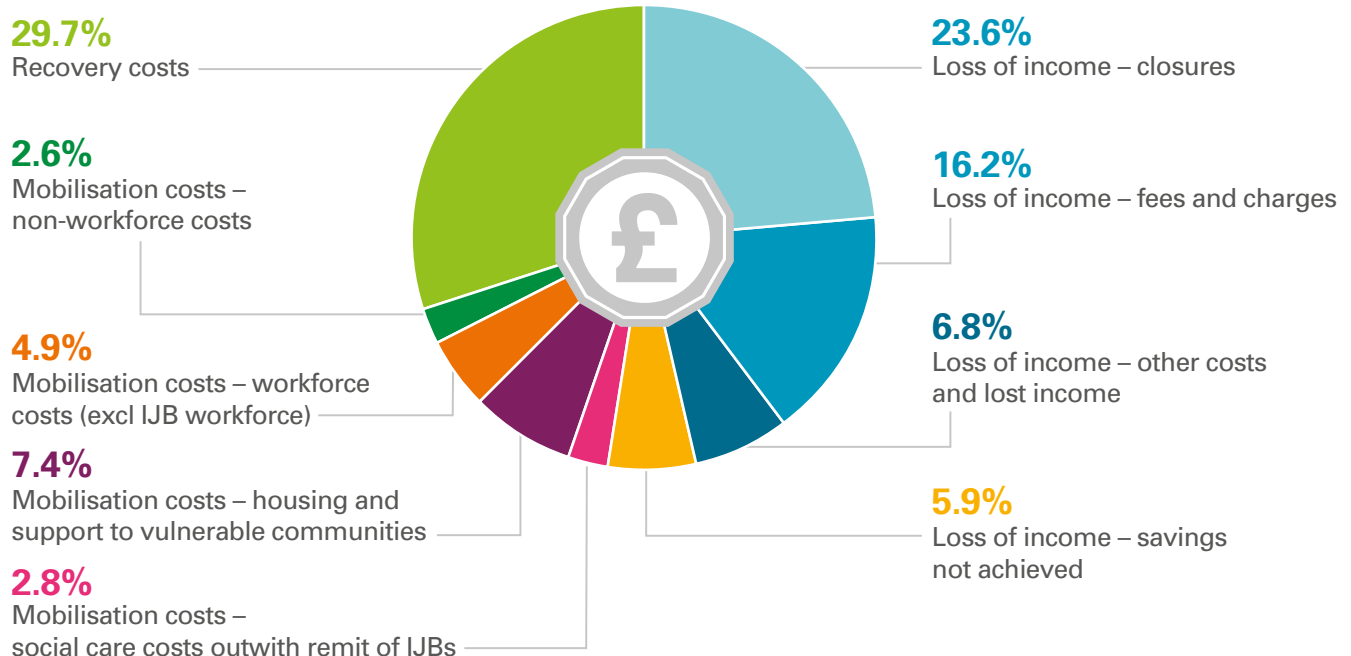
44. Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

Exhibit 10

2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs.



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

Scottish Government support for Covid-19 pressures

The proportion of NDR and General Revenue Grant funding was adjusted

45. In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

46. The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

47. In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.⁴ These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

48. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

Further funding of £936 million has been announced by November 2020

49. As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced ([Exhibit 11, page 27](#)). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain

50. In [paragraph 40](#), we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

51. The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

52. The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

53. The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at [paragraph 70](#).

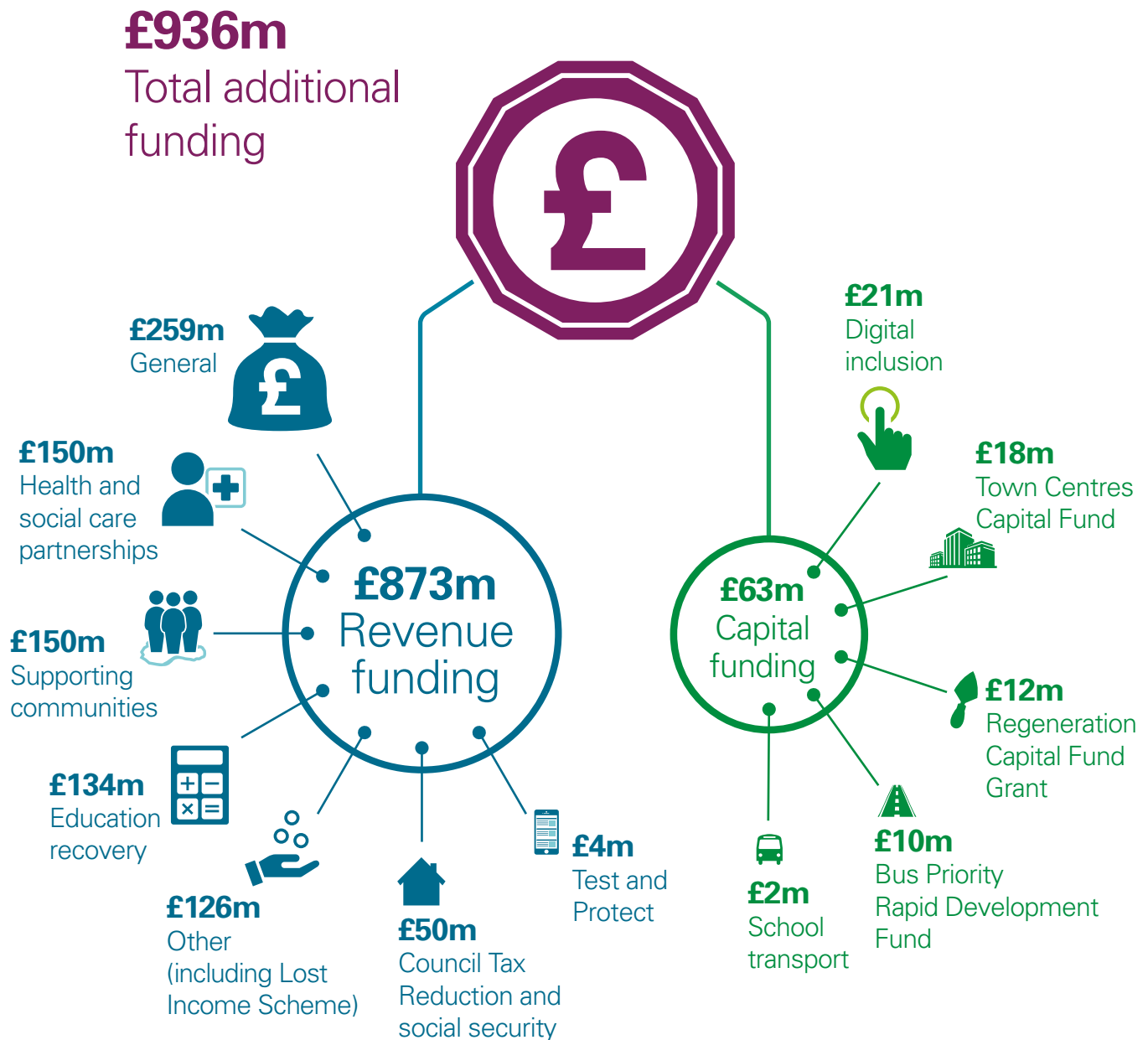
54. After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

55. The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

Exhibit 11**Scottish Government Covid-19 funding in 2020/21**

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report



The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis

56. Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.⁵ This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related

pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

57. In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:⁶

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

58. The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

Medium and long-term financial planning

The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

59. Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

Capital funding

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

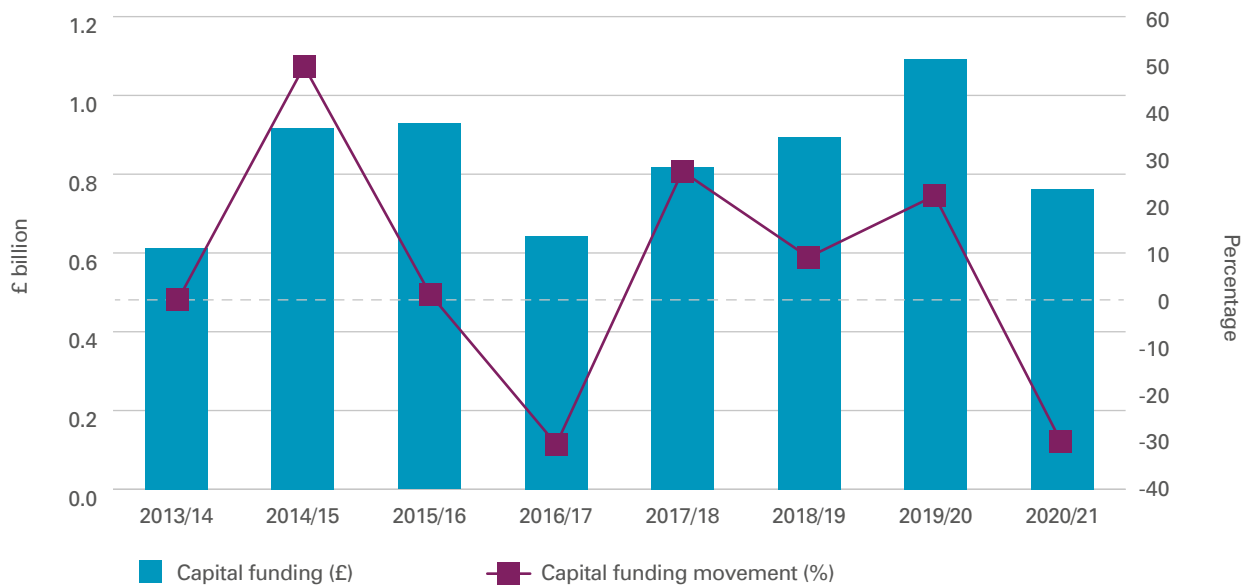
60. The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms ([Exhibit 12, page 29](#)). This could have a significant impact on councils' future investment plans.

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms.

Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

Integration Joint Boards

Key messages

- 1** A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
 - 2** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
 - 3** Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
 - 4** There were changes in chief officer at 12 IJBs in 2019/20
-

Funding and expenditure

In 2019/20 overall funding to IJBs increased by six per cent

61. Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

Sixteen IJBs recorded deficits

62. Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

A further six IJBs needed additional funding to achieve surplus or breakeven

63. Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).


IJBs reported mixed performance against the achievement of savings targets in 2019/20

64. We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

IJB reserves have decreased in 2019/20

65. The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds ([Exhibit 13, page 32](#)).

66. Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council [Best Value Assurance Report](#)  (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

A majority of IJBs struggled to achieve break-even in 2019/20 or recorded deficits.

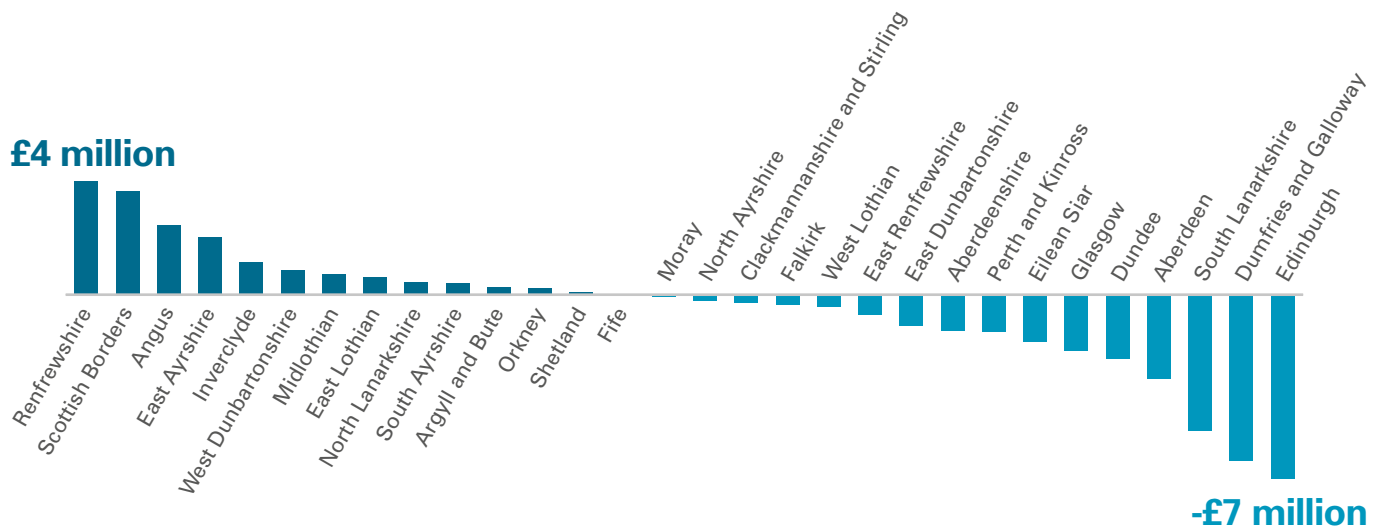


Best Value Assurance
Report: City of Edinburgh
Council
November 2020 

Exhibit 13

Individual movements in general fund reserves between 2018/19 and 2019/20

Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified



Financial planning

More IJBs agreed budgets with partners before the start of the financial year

67. Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21

68. Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

69. Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

Covid-19 related costs

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

70. Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancements (£20 million)
- costs associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million).

It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

71. Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

72. At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

73. In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.⁷

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million.

Revisions will be required to medium-term financial plans

74. More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

Wider governance issues

There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

75. Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

Some IJBs did not review their integration scheme due to Covid-19

76. The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.


Endnotes

- 1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.
- 2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.
- 3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.
- 4 Scottish Government announcement (<https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/>)
- 5 Scottish Government announcement (<https://www.gov.scot/news/supporting-local-government-recovery>)
- 6 Scottish Government announcement (<https://www.gov.scot/publications/coronavirus-covid-19-letter-to-local-authorities-regarding-education-and-early-learning-and-childcare-funding-flexibility>)
- 7 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. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

Local government in Scotland

Financial overview



2019/20

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