

County Buildings  
Wellington Square  
AYR KA7 1DR  
Telephone No. 01292 612169



13 June 2022

**To: Councillors Henderson (Chair), Bell, Cullen, Kilpatrick, McGinley, Ramsay, Scott and Weir.**

**All other Elected Members for information only**

Dear Councillors

## **AUDIT AND GOVERNANCE PANEL**

You are requested to participate in the above Panel to be held **on Wednesday 22 June 2022 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held on a hybrid basis for Elected Members, will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

**Yours sincerely**

**CATRIONA CAVES**  
Head of Legal, HR and Regulatory Services

## **B U S I N E S S**

1. Declarations of Interest.
2. Call-ins from Leadership Panel.
3. Action Log and Work Programme (copy herewith).
- 4./

**External Audit Reports**

4. Audit Scotland: Local Government in Scotland – Financial Overview 2020/21 – Submit report by Head of Finance and ICT (copy herewith).
5. External Audit Reports – Progress to 31 March 2022 – Submit report by Head of Finance and ICT (copy herewith).

**Internal Audit Reports**

6. Corporate Fraud Team – Activity Report 6 months to 31 March 2022 – Submit report by Chief Internal Auditor (copy herewith).
7. Internal Audit Annual Report 2021/22 – Submit report by Chief Internal Auditor (copy herewith).
8. Proposed Internal Audit Plan 2022/23 – Submit report by Chief Internal Auditor (copy herewith).

**Other Governance Reports**

9. Audit Report – Submit report by Chief Executive (copy herewith).
10. Delivering Good Governance – 2021/22 Assessment – Submit report by Head of Legal, HR and Regulatory Services (copy herewith).
11. Corporate Lets – Submit report by Assistant Director – People (copy herewith).
12. Treasury Management Annual Report 2021/22 – Submit report by Head of Finance and ICT (copy herewith).

For more information on any of the items on this agenda, please telephone Janice McClure,  
Committee Services on 01292 612169, Wellington Square, Ayr or  
e-mail: [committeeservices@south-ayrshire.gov.uk](mailto:committeeservices@south-ayrshire.gov.uk)  
[www.south-ayrshire.gov.uk](http://www.south-ayrshire.gov.uk)

**/ Webcasting**

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# AUDIT AND GOVERNANCE PANEL

Agenda Item No. 3

## ACTION LOG

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
			No outstanding actions			

## AUDIT AND GOVERNANCE PANEL

### WORK PROGRAMME 2022

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1	<b>Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2021/22 (ii) Implementation of Internal Audit Action Plans</b>	Report to Panel	Chief Internal Auditor	Quarterly reports throughout the year (Jan, May, Sept, Nov)	
2	<b>External Audit Progress Reports</b>	Report to Panel	Head of Finance and ICT	Regular reports throughout the year	Report to this Panel
3	<b>Corporate Fraud Team Activity Report</b>	Report to Panel	Chief Internal Auditor	Six monthly (May and Dec)	Report to this Panel
4	<b>Strategic Risk Report</b>	Report to Panel	Head of Legal, HR and Regulatory Services	Six monthly	Next report due September 2022
5	<b>Best Value Assurance Report - quarterly updates on progress against the action plan</b>	Report to Panel	Assistant Director – People	Quarterly reports throughout the year	First report to this Panel following Best Value Review 2021
6	<b>Audit Scotland: Local Government in Scotland - Financial Overview 2020/21</b>	Report to Panel	Head of Finance and ICT	June 2022	Report to this Panel

## AUDIT AND GOVERNANCE PANEL

7	<b>Corporate Lets</b>	Report to Panel	Assistant Director - People	June 2022	Report to this Panel
8	<b>Delivering Good Governance – 2021/22 Assessment</b>	Report to Panel	Head of Legal, HR and Regulatory Services	June 2022	Report to this Panel
9	<b>Internal Audit Annual Report 2021/22</b>	Report to Panel	Chief Internal Auditor	June 2022	Report to this Panel
10	<b>Proposed Annual Internal Audit Plan 2022/23 (including Annual Review of Internal Audit Charter)</b>	Report to Panel	Chief Internal Auditor	June 2022	Report to this Panel
11	<b>Annual Accounts 2021/22</b>	Report to Panel	Head of Finance and ICT	28 June 2022	
12	<b>External Audit – Audit Dimensions and Best Value Report 2021/22</b>	Report to Panel	Head of Finance and ICT	28 June 2022	
13	<b>Annual Update Report - Integration Joint Board (IJB) Performance and Audit Committee (PAC)</b>	Report to Panel	Chief Internal Auditor	7 September 2022	
14	<b>Audit Scotland: Local Government in Scotland Overview 2022</b>	Report to Panel	Chief Internal Auditor	7 September 2022	
15	<b>External Audit - Audit Dimensions and Best Value Report 2021/22</b>	Report to Panel	Head of Finance and ICT	7 September 2022	
16	<b>Final Report on the 2021/22 Audit</b>	Report to Panel	Head of Finance and ICT	7 September 2022	

**South Ayrshire Council**

**Report by Head of Finance and ICT  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject:      Audit Scotland: Local Government in Scotland –  
Financial Overview 2020/21**

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**1.      Purpose**

1.1      The purpose of this report is to advise Members of the findings from the Audit Scotland report 'Local Government in Scotland – Financial Overview 2020/21'.

**2.      Recommendation**

2.1      **It is recommended that the Panel considers the findings outlined in the Audit Scotland report 'Local Government in Scotland – Financial Overview 2020/21' (attached as Appendix 1).**

**3.      Background**

3.1      In March 2022, Audit Scotland published a report entitled 'Local Government in Scotland – Financial Overview 2020/21'. The key messages as summarised in the report as follows:

***Local Government Finances 2020/21:***

3.1.1      The Covid-19 pandemic persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.

3.1.2      When Covid-19 funding is excluded, there has been a real terms underlying reduction of 4.2 per cent in local government funding since 2013/14.

3.1.3      The underlying increase in Scottish Government funding of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants. Ring-fenced funding helps support delivery of key Scottish Government policies but constrains a proportion of the total funding and resources and removes any local discretion over how councils can use these funds.

3.1.4      Councils' income from customers and clients was affected by Covid-19 restrictions and fell by £0.5 billion.

3.1.5      In 2020/21, all councils reported surpluses and increased their usable reserves. The total increase in reserves was £1.2 billion (46 per cent).

This increase was mainly due to late Covid-19 funding, which was unspent at 31 March 2021.

- 3.1.6 Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21, putting additional pressure on finance staff across councils.
- 3.1.7 Capital expenditure reduced by more than 20 per cent in 2020/21 because of Covid-19.
- 3.1.8 Covid-19 pressures contributed to greater and more frequent errors in councils' unaudited accounts.

***Medium- and Longer-Term Outlook for Local Government Finances:***

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

**4. Proposals**

- 4.1 It is proposed that Members consider and note the terms of the Audit Scotland report. The report is a national one containing no recommendations and there are no specific actions required of the Council in relation to it.

**5. Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

**6. Financial Implications**

- 6.1 Not applicable.

**7. Human Resources Implications**

- 7.1 Not applicable.

**8. Risk**

**8.1 *Risk Implications of Adopting the Recommendations***

- 8.1.1 There are no risks associated with adopting the recommendations.

**8.2 *Risk Implications of Rejecting the Recommendations***

- 8.2.1 There are no risks associated with rejecting the recommendations.



## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 2.

## **10. Sustainable Development Implications**

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**    **None**

**Person to Contact**    **Tim Baulk, Head of Finance and ICT**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612620**  
**E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

Local government in Scotland

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# Financial overview 2020/21



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
March 2022



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You can find more information on our website:

### **Exhibits data**

Data files are available for [Exhibit 5](#).

### **Supplement**

[Covid-19 funding to Local Government – 2020/21](#)

### **Audit team**

The core audit team consisted of:  
Blyth Deans,  
Lynne Templeton,  
Martin Allan,  
Christopher Holgate  
under the direction  
of Brian Howarth.

# Chair's introduction

**Our independent overview of council finances 2020/21 covers the first full year that makes clear the impacts of Covid-19. We also look ahead to the medium- to longer-term financial outlook for councils.**

That all councils have increased their reserves, boosted by late funding from the Scottish Government to help mitigate the impacts of Covid-19, distracts from the underlying pressures and continued uncertainty on council finances.

The long-term funding position for councils remains uncertain, with significant challenges ahead. This ongoing financial uncertainty for councils is exacerbated by: Scottish Government budget settlements for councils that don't go beyond one year; impacts of an ageing population; shifting and increasing demand for many council services and, alongside this, greater uncertainty over inflationary and other price pressures.

Excluding additional Covid-19 funding, councils have seen a real terms reduction in funding from the Scottish Government of 4.2 per cent since 2013/14. This is a larger reduction than the rest of the Scottish Government budget over the same period.

With increasing amounts of money ring-fenced to meet Scottish Government priorities, it means councils must focus on specific policy areas, rather than the urgent, local priorities they have identified. And while councils have rightly shifted their focus to address the immediate impacts of Covid-19, plans to transform services have slowed.

The absence of a multi-year funding settlement, alongside the ongoing impacts of Covid-19, makes it challenging for councils to plan and budget effectively for the medium and longer term. Robust forward looking financial plans, however, will be key to maintaining financial sustainability, alongside accelerating progress with transformation programmes that have stalled, addressing issues in delivering recurring savings and bringing forward proposals to reduce costs. As Covid-19 uncertainty diminishes, councils should review longer-term planning arrangements.

The pressures on councils that existed before March 2020 continue, yet now with greater intensity. As we reported in our [2021 Local government overview](#) inequalities have been exacerbated and deepened by Covid-19. At the same time, the financial and service demands and stresses on councils have also increased.



**Dr William Moyes**  
Chair of the Accounts  
Commission

Councils must manage the ongoing impacts of Covid-19, while looking ahead to local service and economic recovery and transformation, as well as delivering on Scottish Government priorities. This includes ambitions for Early Learning and Childcare, climate change and plans for a National Care Service.

Simply rewinding and trying to return services to pre-March 2020 models and levels of service isn't good enough. How to restart services, deliver differently, save money and empower communities to help redesign and reshape core services, is a massive challenge for all councils. Councils need to undertake this work, involve the communities they serve and partner organisations.

This report, alongside our second overview report (due to be published in May) which will focus on the wider performance and challenges facing local government will, we hope, be a useful analysis and support for both new and returning councillors, and senior officers, as they make difficult decisions over how best to allocate money and resource.

The Accounts Commission will [continue to publish outputs](#) focusing on key issues impacting local councils and communities.

Our ambition is for our independent reporting to support challenge and change across council services.

# Key messages

## Local government finances 2020/21

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

- 7 Capital expenditure reduced by more than 20 per cent in 2020/21 because of Covid-19.
- 8 Covid-19 pressures contributed to greater and more frequent errors in councils' unaudited accounts.

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

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

# About this report

- 1.** This report provides a high-level independent analysis of the financial performance of councils during 2020/21 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils in the medium and longer terms. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' response to and recovery from the Covid-19 pandemic, will be published in May 2022.
- 2.** Our primary sources of information for the financial overview are councils' 2020/21 audited accounts, including management commentaries and the 2020/21 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in April 2021. We received 22 returns by the deadline in late May 2021, and therefore some of the analysis included in this report is based on the available returns, which are only a sample of the total. The response rate from auditors (69 per cent) was lower than in previous years.
- 3.** The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2021. Twenty-three sets of accounts were certified by the revised deadline, with a further seven signed off thereafter. As at 1 February 2022, two councils' accounts are still to be certified; therefore, analysis in this report is based on 30 sets of audited accounts and two sets of unaudited accounts.
- 4.** We refer to 'real terms' changes in this report. This means that we are showing financial information from past and future years at 2020/21 prices, adjusted for inflation so that they are comparable. Similarly, where comparisons with 2021/22 are made, we have adjusted for inflation to 2020/21 prices. We use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish Governments when analysing public expenditure. As a result of the way that GDP is calculated, the increased public spending related to Covid-19 means that (in the short term) annual GDP growth rates are forecast to be volatile. To allow us to continue to provide meaningful comparisons between years, we have changed how we use GDP deflators this year. To compensate for the increased volatility, we have used an average GDP growth rate across 2020/21 and 2021/22 to separate inflation from the changes largely attributable to Covid-19 spending and changes in outputs.
- 5.** We also refer to figures in 'cash terms'. This means that we are showing the actual cash or money paid or received.



# 1. Councils' income in 2020/21

## Key messages

- 1** The Covid-19 pandemic persisted throughout 2020/21, with the Scottish Government increasing funding to councils by £1.5 billion to support them in dealing with the impacts of the pandemic.
  - 2** The underlying increase in Scottish Government funding to councils of £358 million in 2020/21 was 1.1 per cent in real terms. But, over half of this increase is due to specific grants, which are now £710 million. Ring-fenced funding helps support delivery of key Scottish Government policies, such as expanding early learning and childcare services, but constrains a proportion of the total funding and resources and removes any local discretion over how these funds can be used by councils.
  - 3** When Covid-19 funding is excluded, there has been a real terms underlying reduction in local government funding of 4.2 per cent since 2013/14.
-

# Total revenue funding and income

## **Covid-19 had an impact on the whole of 2020/21**

**6.** The global pandemic and consequent restrictions emerged at the end of March 2020 and persisted throughout the 2020/21 financial year. This report is the first Local Government Overview to capture the full-year impact of Covid-19 on local government finances.

## **Councils' total funding and income increased by £1.8 billion (10 per cent) in 2020/21, mainly as a result of additional Covid-19 funding of £1.5 billion**

**7.** Councils' total revenue funding and income was £20.3 billion in 2020/21, an increase of £1.8 billion (or 10 per cent) on the previous year. Comparing 2020/21 with 2019/20 ([Exhibit 1, page 10](#)) shows that most funding comes from the Scottish Government in both years and illustrates the impact of Covid-19 additional funding on the overall funding of councils (7 per cent of funding received).

**8.** Additional Covid-19 funding included as part of the General Revenue Grant was £1.3 billion, and additional Covid-19-specific grant funding was £0.2 billion in 2020/21. When this is excluded, total revenue and income increased by £0.3 billion, or 1.6 per cent, compared with the previous year.

## **Councils' income from customer and client receipts reduced by an average of 25 per cent**

**9.** Scotland wide, the reduction in income from customer and client receipts is estimated at £0.5 billion. Significant income streams were affected by Covid-19 restrictions and measures. Glasgow City and Fife Councils both suffered significant reductions in cultural and community income and car parking income. Orkney and Argyll and Bute Councils identified reductions in pier and harbour income as a direct consequence of Covid-19 travel restrictions. Councils have also experienced reductions in income from school meals, building warrants and trade waste disposal.

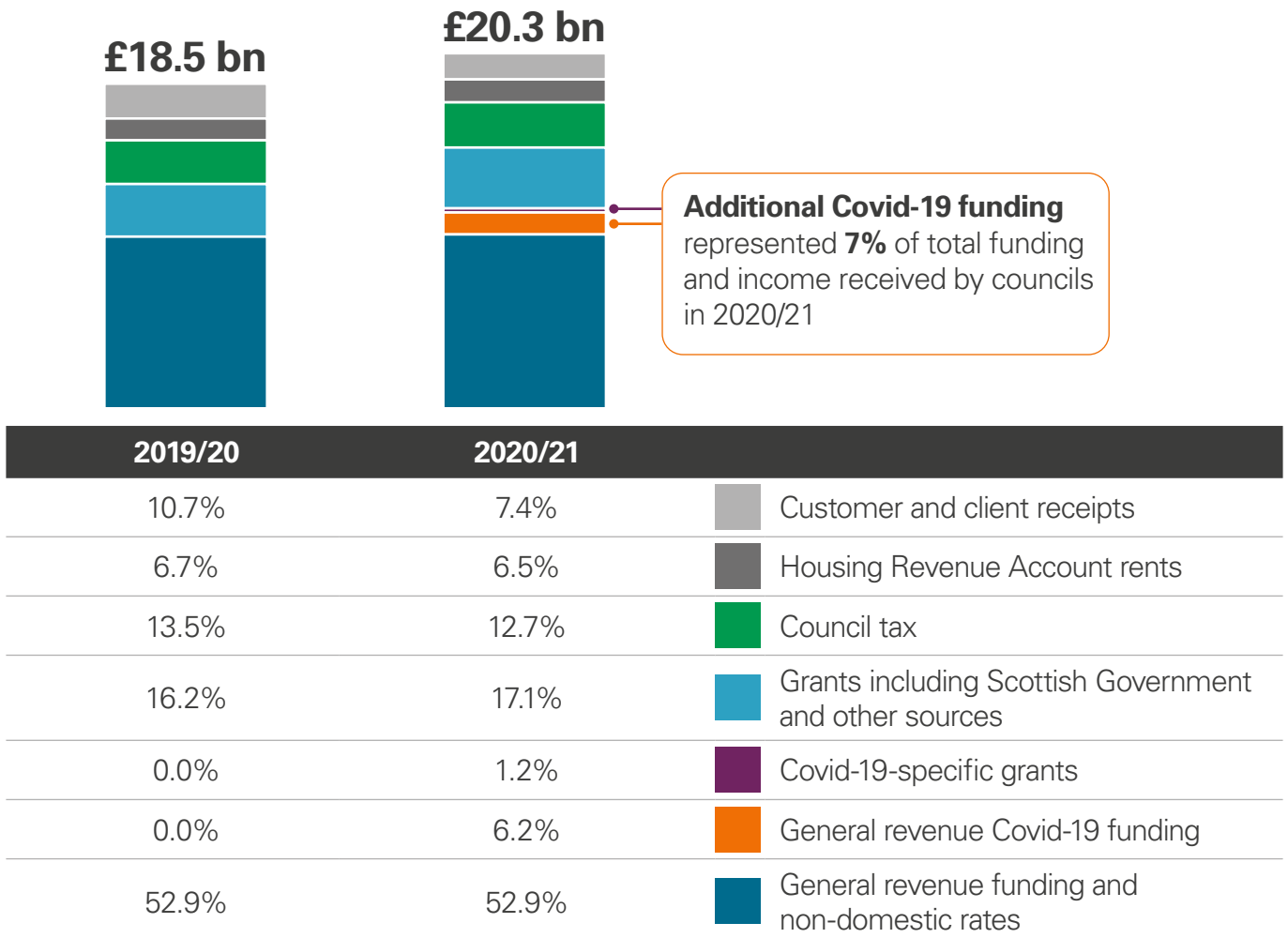
## **Council tax rates increased by 4.5 per cent in 2020/21**

**10.** All councils raised council tax levels in 2020/21. The average rate increase across Scotland was 4.5 per cent. The lowest increase was 3 per cent in Clackmannanshire, Inverclyde and South Lanarkshire Councils. Twenty councils increased council tax by 4.8 per cent in line with the Scottish Government cap on council tax rate increases.

## Exhibit 1.

### Sources of funding and income, 2019/20 and 2020/21

Councils' total funding and income increased by £1.8 billion (10 per cent) in 2020/21, mainly as a result of additional Covid-19 funding of £1.5 billion.



Source: Audited financial statements 2019/20 and 2020/21

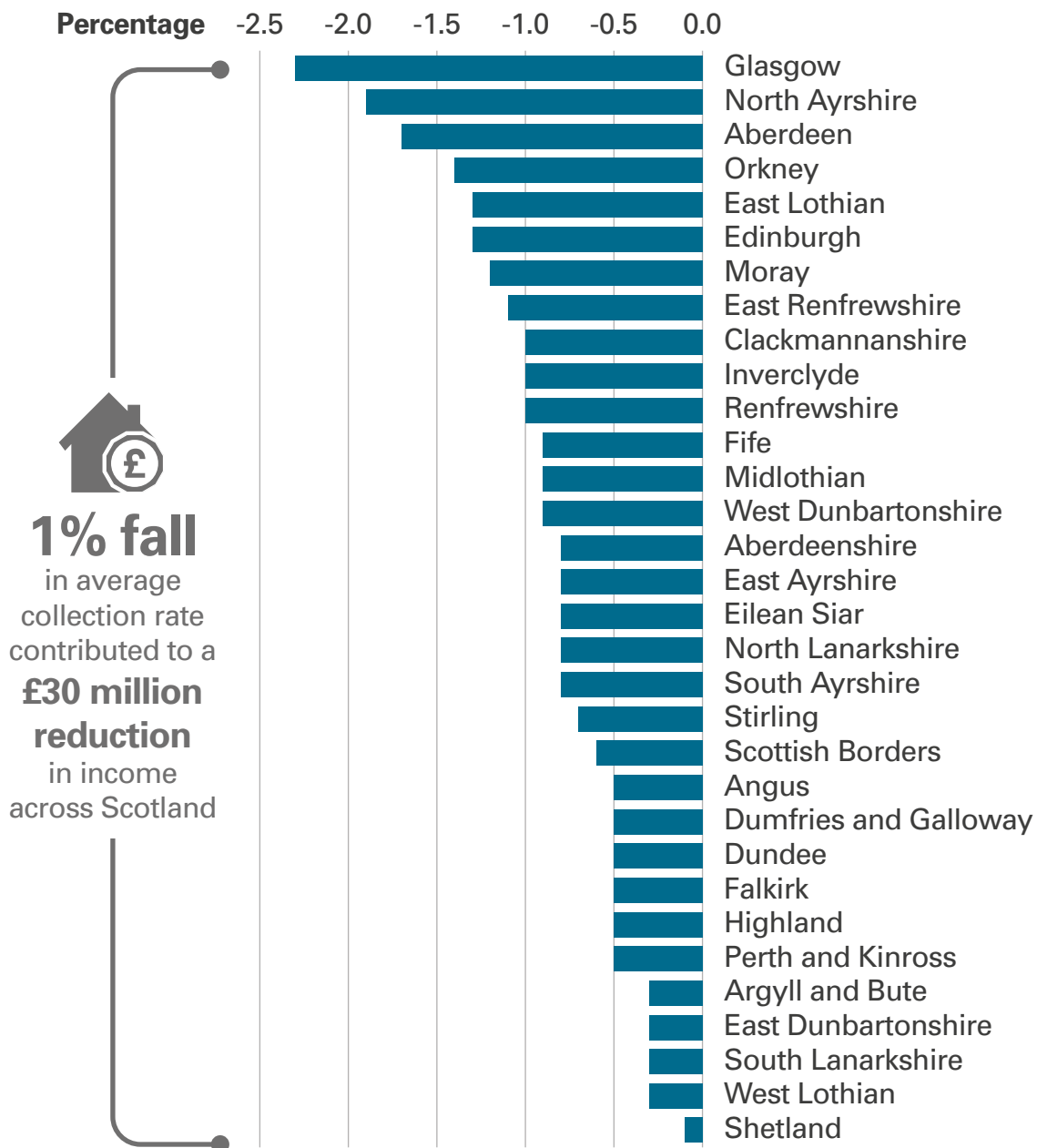
### Council tax collection rates across Scotland fell by 1 per cent

**11.** Council tax debts accumulate over many years. The in-year collection rate (for 2020/21 charges) fell from an average of 95.8 per cent to 94.8 per cent. The 1 per cent fall in collection rate contributed to a reduction in income of £30 million. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.5 billion was collected by 31 March 2021. Collection rates fell across all councils ([Exhibit 2, page 11](#)), with Glasgow City Council experiencing the largest reduction. Some councils chose to defer or reschedule debt recovery as part of their Covid-19 responses.

## Exhibit 2.

### Council Tax collection rates

The average Council Tax collection rate across Scotland fell by 1 per cent in 2020/21.



Source: Scottish Government Council Tax Collection Statistics 2020-21, Audited financial statements 2020/21

## Scottish Government funding

**Scottish Government revenue funding increased by 13 per cent in real terms in 2020/21. This was mainly due to Covid-19 funding of £1.5 billion**

**12.** As noted in [paragraph 7](#), Scottish Government funding forms a significant proportion of the total funding available to local government. The proportion increased from 55.7 per cent in 2019/20 to 58.6 per cent in 2020/21.

**13.** In 2020/21, total revenue funding from the Scottish Government increased by 15.6 per cent in cash terms and by 13.0 per cent in real terms ([Exhibit 3](#)). Most of this increase was due to additional Covid-19 funding of £1.5 billion, including £1.3 billion of general revenue funding and £0.2 billion of specific grants.

### Exhibit 3.

#### Changes in Scottish Government revenue funding in 2020/21

Scottish Government revenue funding increased by 13 per cent in real terms in 2020/21, although the increase largely relates to additional specific revenue grants and non-recurring Covid-19 funding.

	2019/20 £ million	2020/21 £ million	Cash change %	Real terms change %
General revenue grant and non-domestic rate income	9,811.4	9,967.5	1.6	-0.7
Specific revenue grants <sup>1</sup>	507.7	709.8	39.8	36.6
Non-recurring Covid-19 funding		1,253.5		
<b>Total revenue funding</b>	<b>10,319.1</b>	<b>11,930.7</b>	<b>15.6</b>	<b>13</b>
GRG + NDRI + SRG	10,319.1	10,677.2	3.5	1.1

Note: 1. Includes specific revenue grants for Covid-19.

Source: Finance Circulars 2/2020 and 5/2021 and Scottish Government budget documents.

**14.** Total revenue funding of £11.9 billion consisted of general resource grant (GRG) funding of £8.1 billion, non-domestic rates (NDR) distribution of £1.8 billion, specific grants of £0.7 billion and non-recurring Covid-19 funding of £1.3 billion.

**15.** The Scottish Government NDR relief, which was announced in March 2020 to help businesses deal with the impact of Covid-19, resulted in a significant change in the expected income collected from NDR, and this was reflected in the funding given to councils. NDR funding reduced from £2.8 billion in 2019/20 to £1.8 billion in 2020/21. A compensatory increase was given to councils as GRG, as part of a guarantee by the Scottish Government to ensure total funding.

### **Specific Scottish Government grants contributed to over half of the underlying increase in funding of 1.1 per cent in real terms**

**16.** When non-recurring Covid-19 funding is excluded, the increase in funding from the Scottish Government is 3.5 per cent in cash terms and 1.1 per cent in real terms. The increase in underlying revenue funding was £358 million.

**17.** In previous overview reports, we identified that increasing amounts of the Scottish Government's total funding to councils is for specific purposes. This trend continued in 2020/21. Over half of the increase was accounted for by specific revenue grants, including an additional £201 million to fund expanding early learning and childcare services. However, the Scottish Government gave councils flexibility in 2020/21 to use the funding for early learning and childcare to support their responses to Covid-19.

**18.** Specific revenue grants made up 6.7 per cent of recurring revenue funding in 2020/21, up from 4.9 per cent the previous year.

### **There was a 7 per cent real terms increase in funding to councils in 2020/21, due to Covid-19. However, the underlying decrease is 4.2 per cent since 2013/14**

**19.** Funding from the Scottish Government to local government between 2013/14 and 2020/21 increased by 7.0 per cent in real terms. The Scottish Government received Scottish budget increases for Covid-19 **Barnett consequentials** of £9.5 billion and £1.3 billion was given to councils to support services and Covid-19 responses.

**20.** Excluding the effect of Covid-19 funding, the underlying cumulative funding position for councils has fallen by 4.2 per cent in real terms since 2013/14 ([Exhibit 4, page 14](#)). This demonstrates that local government funding has been reduced by proportionately more than the rest of the Scottish Government budget over this period. The Scottish Government is committed to protecting the Health Budget which has a direct impact on all other areas of the Scottish Budget, including local government.

### **Barnett consequentials**

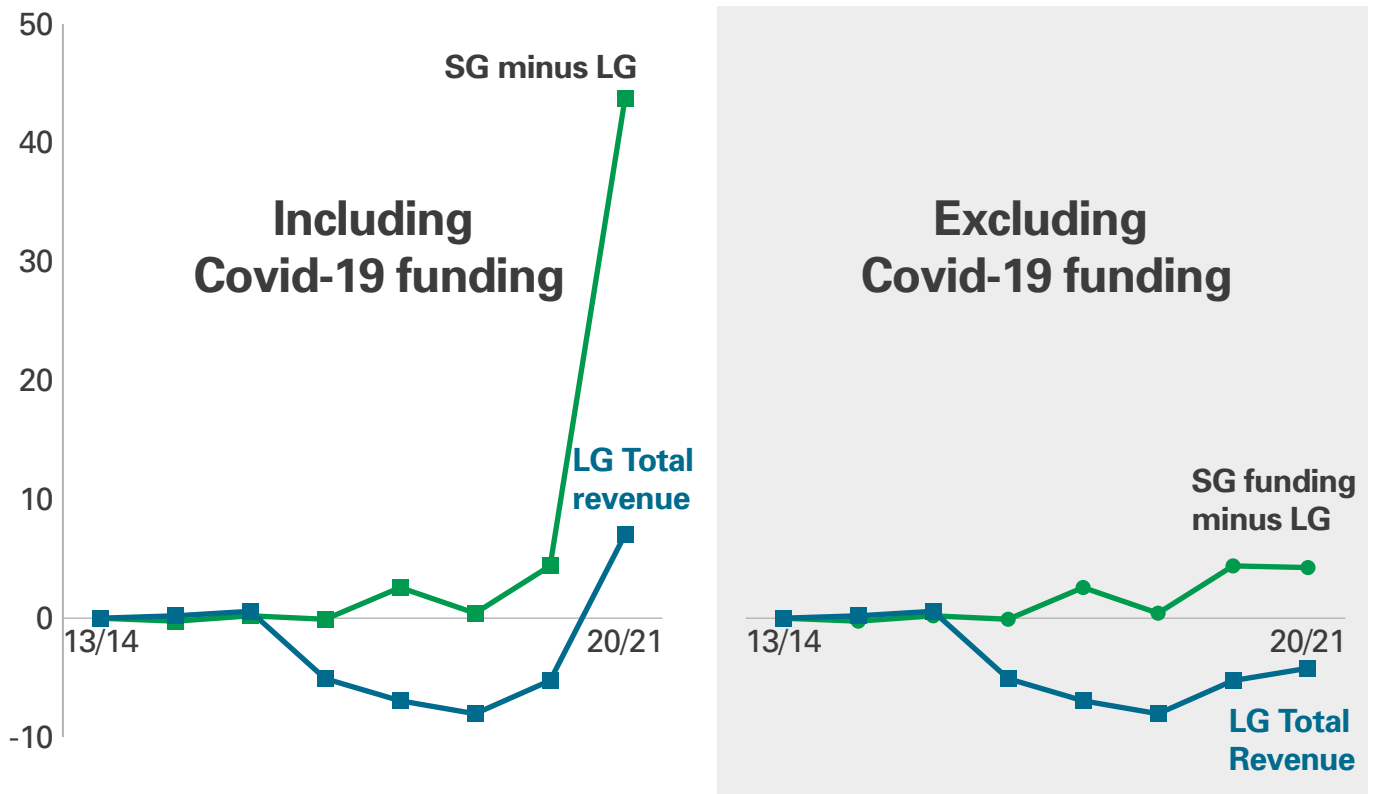
Throughout 2020/21, the UK Government introduced various spending measures to support households, businesses, and public services in recovering from the impact of Covid-19. Some of these spending measures resulted in Barnett consequentials. The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland.

The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved, but there is no requirement for this additional funding to be spent in the devolved administrations on the services which generated the additional funding. Each devolved administration can allocate these funds as it believes appropriate.

## Exhibit 4.

### A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

The second graph shows that, funding from the Scottish Government to local government between 2013/14 and 2020/21 decreased by 4.2 per cent in real terms once Covid-19 funding is removed.



Source: Finance Circular 5/2021 and Scottish Government budget documents

## 2. Councils' financial position in 2020/21

### Key messages

- 1** Savings plans were mostly delivered across councils, but with significant variation.
  - 2** All councils increased their usable revenue reserves, mainly due to late Covid-19 funding which was unspent at 31 March 2021. The total increase was £1.2 billion.
  - 3** Capital expenditure reduced by more than 20 per cent in 2020/21 due to Covid-19.
  - 4** Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government. The need to administer payment of these grants quickly to support the local economy put additional pressure on finance staff across councils.
  - 5** Covid-19 pressures contributed to greater and more frequent errors in councils' unaudited accounts. Auditors also reported wider issues relating to Covid-19, including the slowing of progress in some councils' transformation plans, the impact of reduced income on arm's-length external organisations (ALEOs) and what that means for their financial sustainability, identified weaknesses in internal control systems, and adverse impacts on long-term planning and capacity.
  - 6** In line with the recovery in global stock markets, pension fund investments performed well. In addition, the triennial funding position improved.
-



# Council budgets and outturn 2020/21

## In 2020/21, initial budget gaps were consistent with previous years

**21.** In 2020/21, councils identified net expenditure of £13.5 billion in initial budgets. These were budgets that were set before the Covid-19 lockdown in late March 2020. The budget gap at the time was £0.5 billion (1.7 per cent), which was consistent with the gap identified in the previous year.

**22.** Planned savings were the most common way of addressing expected budget gaps in 2020/21, although plans also included reference to income generating activities and reprofiling loan fund repayments to make savings.

## Savings plans were mostly delivered across councils, but with significant variation

**23.** An analysis of a sample of 14 councils identified that, on average, 83 per cent of the planned savings were achieved. However, there was significant variation in how individual councils performed against their savings targets:

- **East Lothian Council** achieved savings of £3.1 million (99 per cent of those budgeted) in 2020/21. However, of this total, only £1 million (35 per cent) of savings were on a recurring basis. Council officers have recognised the risk of not achieving these savings annually and the council is reviewing its budgeted savings.
- **Angus Council** set a Change Programme saving target for 2020/21 of £9 million. The council achieved actual savings of £8.5million (95 per cent).
- **Comhairle nan Eilean Siar**, which planned to make £2.6 million of savings in 2020/21, achieved savings of £1.6 million or 62 per cent. The auditors note that service redesign savings of £1.0 million were not achieved, as resources were reallocated to the council's Covid-19 response.
- **Fife Council** planned to achieve efficiency savings of £13 million and achieved actual savings of £8 million (65 per cent). The shortfall was dealt with by in-year alternative savings, such as alternative cost reductions, unused contingency funding and a change in accounting treatment of loan charges.

**24.** Non-recurrent savings can include savings made as a result of delays in recruitment due to Covid-19; savings in budget provisions for energy and NDR costs; reduced operational costs arising from the Covid-19 impact on service delivery; and reductions in borrowing costs resulting from lower than anticipated capital spending.

**All councils reported surpluses and increased their usable reserves in 2020/21. The total increase was £1.2 billion (46 per cent). This increase was mainly due to late Covid-19 funding, which is earmarked to be spent on Covid-19 recovery activity over the next two financial years**

**25.** All councils increased their total usable reserves at 31 March 2021 to £3.8 billion. This represents an increase of £1.2 billion (46 per cent) on the previous year and includes revenue and capital reserves.

[Exhibit 5 \(page 18\)](#) shows increases in councils' usable reserves during 2020/21.

**26.** Most of the increase in 2020/21 is in general fund reserves (including Housing Revenue Account, HRA) of £1.1 billion. This is predominantly due to a significant element of Covid-19 funding that was issued to councils very late in the financial year. This contributed to about a 70 per cent increase in reserves held by councils at the end of 2020/21. However, the view of the Convention of Scottish Local Authorities (COSLA) is that this funding is fully committed and most will be spent in 2021/22, with an element carried forward to be spent in 2022/23.

**27.** The timeline of funding announcements made by the Scottish Government during 2020/21 ([Supplement: Covid-19 funding to Local Government – 2020/21](#)) illustrates the challenges faced by councils in receiving and spending this additional money.

**Reductions in expenditure and savings achieved contributed to about 30 per cent of the increase in councils' reserves in 2020/21**

**28.** COSLA notes that, during 2020/21, councils faced challenges arising from a combination of loss of income and additional expenditure and had to manage financial projections without any guarantee of any additional financial support from either the UK or Scottish Governments. As a result, councils took steps to reduce expenditure and achieve budgeted savings where possible to mitigate the impact of the pandemic. As financial support was announced later in 2020/21 some of the short-term measures taken during the year by councils, to manage their budgets, resulted in increases in council reserves due to service underspends. Around 30 per cent of the increase in reserves is attributed to service underspends.

**29.** Over the same period, it was not possible to progress spending in some policy areas, such as expanding early years services and employability programmes, adding to a short-term increase in the level of reserves held.

Supplement:  
**Covid-19  
funding to Local  
Government  
– 2020/21**

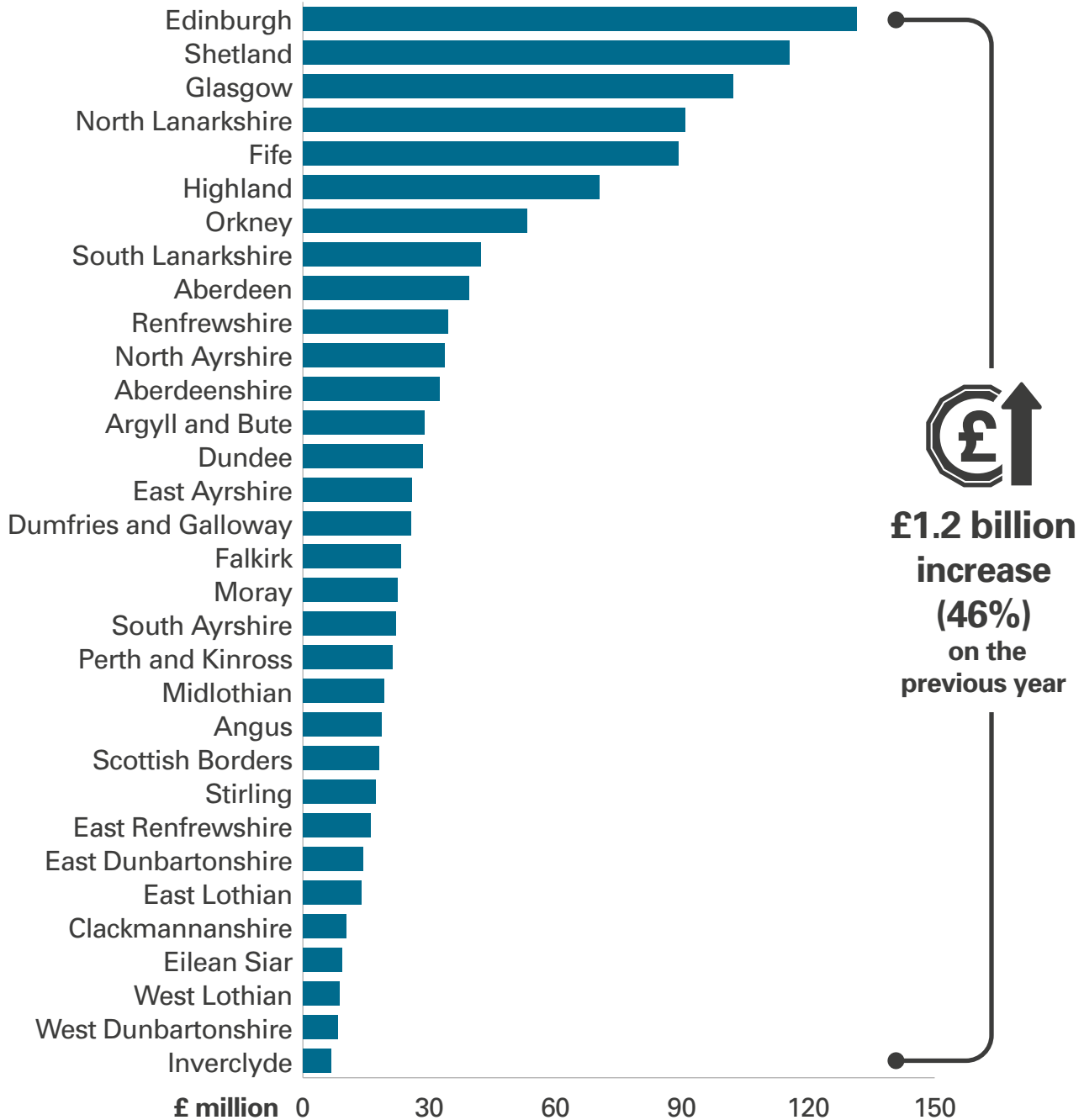
Accounts  
Commission  
March 2021



## Exhibit 5.

### Increases in councils' usable reserves during 2020/21

All councils increased their usable reserves.



Note: [Exhibit 5 data](#) available to download on our website.

Source: Audited financial statements 2020/21

# Reserves

## **Most of the increase in the general fund is committed to Covid-19 recovery**

**30. Exhibit 6 (page 20)** shows the nature and value of usable reserves in 2020/21. Within the committed element of the general fund, councils' accounts have not always clearly identified the element arising from Covid-19 funding, but at least £650 million of the increased balance is identified for Covid-19 recovery, and we believe that the actual amount is much higher.

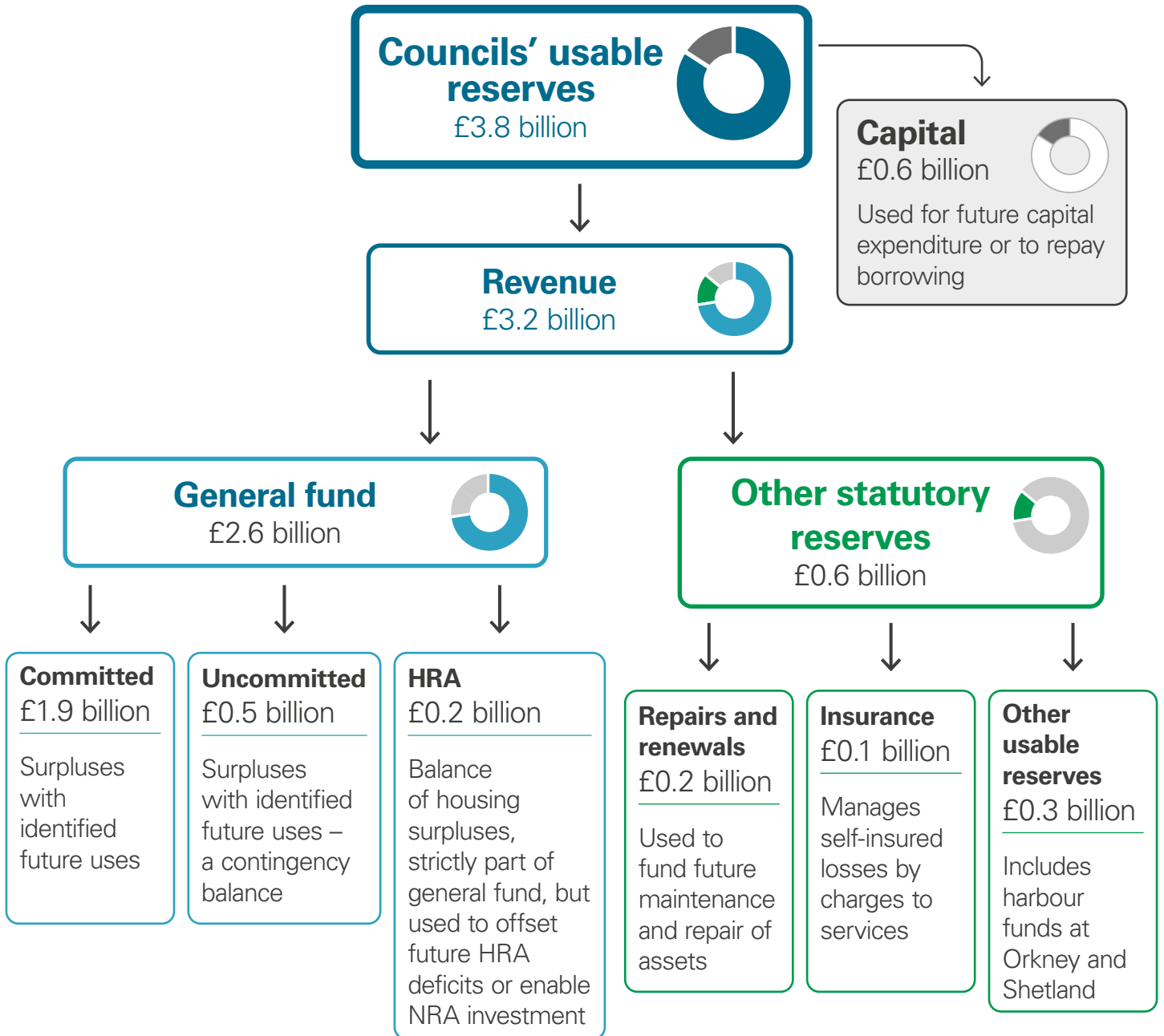
## **Recommendation**

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

## Exhibit 6.

### The relative size and nature of councils' usable reserves

In 2020/21, usable reserves held by councils totalled £3.8 billion.



Source: Audited financial statements 2020/21

# Capital

## In 2020/21 underlying capital expenditure was reduced by more than 20 per cent due to Covid-19

**31.** Capital spending across Scotland fell by £1.2 billion in 2020/21, from £3.6 billion in 2019/20 to £2.4 billion. Glasgow City Council's **sale and leaseback transactions** in 2019/20, as part of its equal pay funding strategy, account for £0.5 billion of this reduction. The overall reduction in capital expenditure in 2020/21, net of Glasgow City Council, was still £0.7 billion (22 per cent, based on £3.1 billion underlying spending last year).

**32.** Auditors reported that Covid-19 restrictions had a significant adverse impact on the cost and delivery of capital projects in 2020/21. In many cases, capital plans were revised to reflect lockdown and the impact of social distancing and other suppression measures that contributed to delays in construction for a large part of 2020/21.

**33.** Twenty-six councils (81 per cent) reported reduced capital expenditure. Only six councils spent more on their capital programmes in 2020/21 than in 2019/20. The average decrease was 31 per cent. Significant slippage against capital programmes was also noted at some councils in 2020/21:

- **Dundee City Council:** Capital works of £47 million were completed during 2020/21, against an approved capital programme of £107 million (£75 million general fund projects and £32 million HRA projects). This represents slippage against the original plan of 56 per cent, but this is largely attributable to the impact of Covid-19 in the early part of the year. Multiple projects contribute to the significant slippage recorded and span all services areas, including housing, education, cultural and related services and environmental services.
- **East Lothian Council:** Total capital expenditure in 2020/21 was £56.9 million, relative to a budget of £98.1 million, of which £35.7 million related to general fund projects and £21.2 million to the HRA. This represents slippage against budget of 42 per cent. The underspend is almost entirely due to delays caused by Covid-19 lockdown periods and suspended construction projects.

## The number of new houses completed fell by 92 per cent in the first quarter of 2020/21, because of Covid-19, but recovered over the year

**34.** Local authority housing completions fell by 92 per cent in the first quarter of 2020/21 to 34 from 446 in the first quarter of 2019/20. This was a direct result of the first lockdown and restrictions in response to the Covid-19 pandemic. This significant level of reduction was mirrored across all housing sectors in Scotland. Completions returned to pre-lockdown levels in the second quarter, once initial lockdown restrictions were removed, and continued to recover in the third quarter. In total, 537 completions were reported in 2020/21, an increase of 57 per cent on 2019/20 ([Exhibit 7, page 22](#)).

### Sale and leaseback transactions

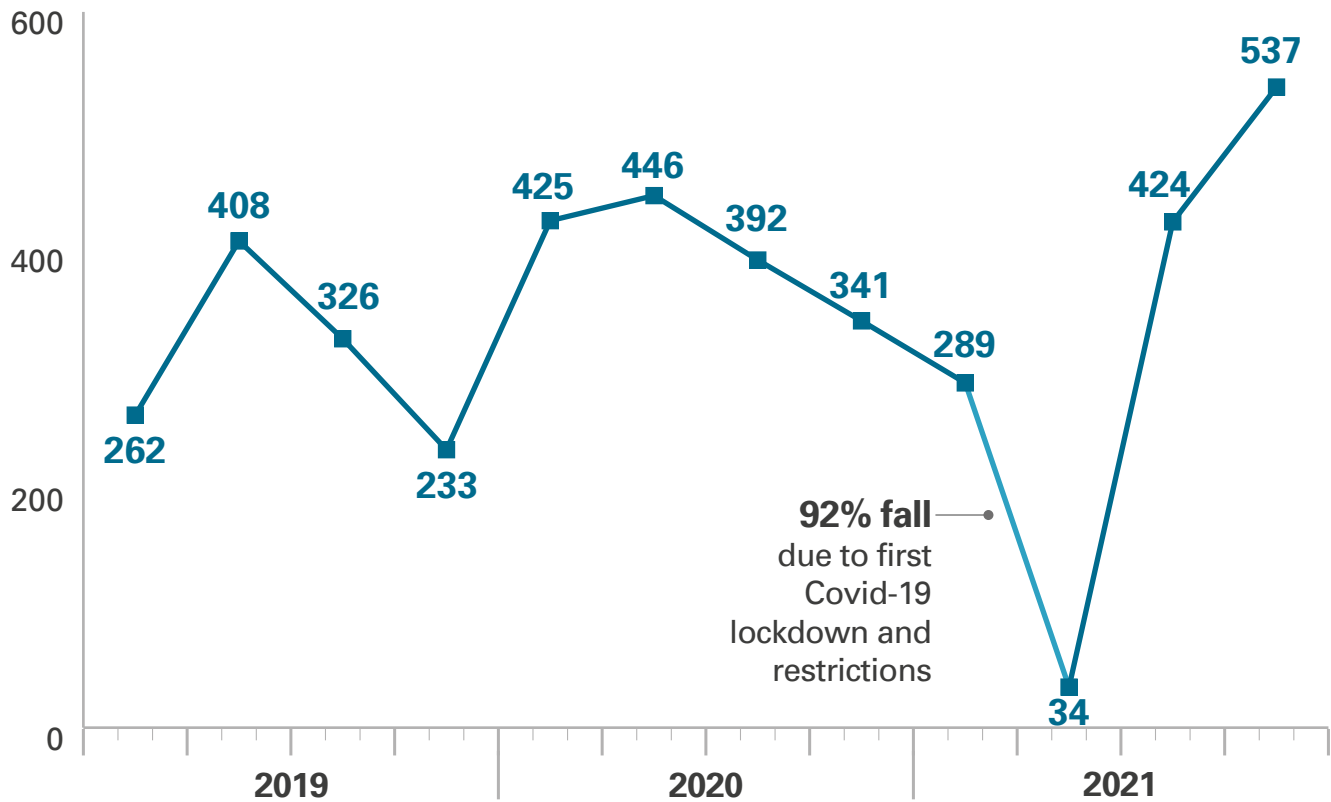
Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a sale and leaseback funding strategy that raised £549 million. Our analysis in 2020/21 has been adjusted to reflect this artificial inflation of capital expenditure in 2019/20.

## Exhibit 7.

### Quarterly Local Authority Housing Completions

Local authority completions fell by 92 per cent in the first quarter of 2020/21.

#### Number of new houses completed by local authorities



Source: Scottish Government housing statistics quarterly update: December 2021

#### Capital costs increased in 2020/21, largely as a result of Covid-19

**35.** Fourteen of the 20 councils that we reviewed noted increased capital project costs in 2020/21, largely because of the impact of the Covid-19 pandemic. The key factors included increases in the cost of raw materials, supply chain delays and inflation associated with delayed contracts.

#### The main sources of capital financing are still government grants, but internal loan fund repayments from council services have reduced

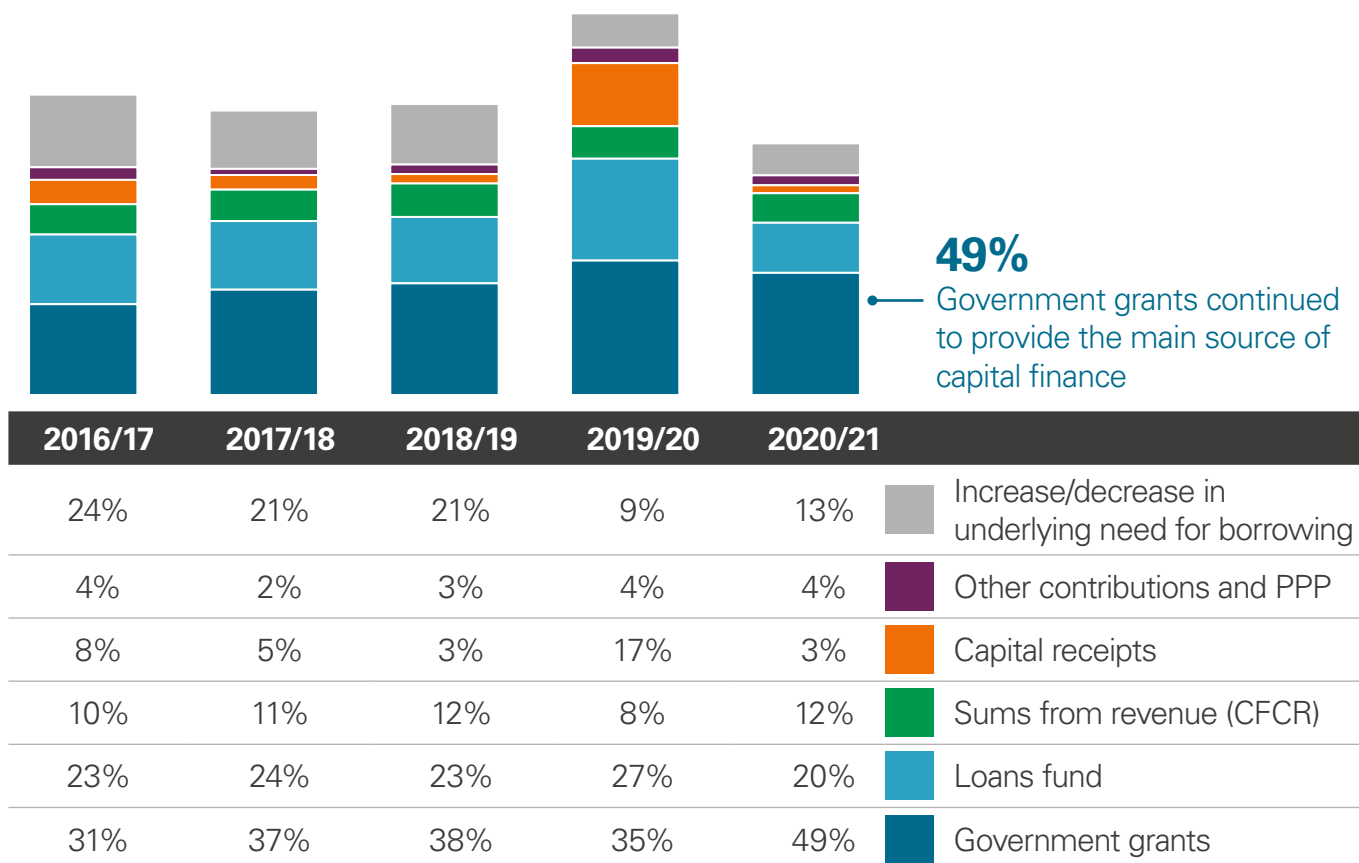
**36.** Government grants continued to provide the main source of capital finance (49 per cent). The amounts financed from internal loan fund repayments reduced from 27 per cent in 2019/20 to 20 per cent in 2020/21 ([Exhibit 8, page 23](#)).

**37.** The reduction in this internal source of capital finance might be the result of rescheduling loan fund repayments, reducing the amount available to reinvest in capital.

## Exhibit 8.

### Capital expenditure analysed by source of finance 2016/17 to 2020/21

Total capital expenditure fell and 49 per cent was financed by government grants.



Source: Audited financial statements 2016/17 – 2020/21

### Net debt has fallen by £1 billion

**38.** Total net debt (total debt less cash and investments) fell across councils by £1 billion, or 5.7 per cent, between 2019/20 and 2020/21, to £16 billion. Only seven councils' net debt increased in 2020/21.

**39.** The most significant element of this change is the increase in cash and investment balances: unspent Covid-19 funding received late in 2020/21 contributed £720 million to the decrease in net debt.



## The wider impacts of Covid-19

### Councils did not use the additional financial flexibilities granted to respond to Covid-19

**40.** Councils were given an additional package of [spending powers](#) and financial flexibility to respond to Covid-19 in 2020/21. However, of a sample of 22 councils, none used them in 2020/21.

**41.** Ten of the councils in the sample intend to use funding flexibilities in 2021/22. Some councils intend to use multiple flexibilities. Our analysis indicates that nine councils plan to defer internal loan fund repayments, five councils intend to extend debt repayment periods and two councils plan to use capital receipts to meet one-off revenue pressures arising from Covid-19.

### Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21

**42.** Councils administered a further £1.4 billion of Covid-19 grants on behalf of the Scottish Government in 2020/21 and acted as agents in administering and disbursing these grants to businesses and individuals. The income and expenditure relating to these grants was not included as income or expenditure in the accounts reflecting the councils' position as paying agents.

**43.** Some council auditors reported that the additional administrative burden put additional pressure on council finance staff. The auditors of Orkney Islands Council noted that managing the volume and complexity of the various Covid-19 support schemes was challenging for finance staff. Furthermore, the auditors of North Lanarkshire Council found that the council's second officer checks of council tax and NDR discounts and reliefs were paused for a period during 2020/21, as staff were diverted to process Covid-19-related business grants.

**44.** Across Scotland, councils were under pressure to administer payment of these grants within a very short period of time to support the local economy. Our report *Scotland's economy: Supporting businesses through the Covid-19 pandemic*, due to publish in March 2022, considers the work undertaken by the Scottish Government and councils to minimise fraud risk involved in making these payments. This included placing reliance on councils' existing internal control environments to ensure eligibility of applications. Council auditors did not report any weaknesses in control in relation to these payments in 2020/21 annual audit reports.

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October 2020



### **Covid-19 contributed to greater and more frequent errors in councils' unaudited accounts**

**45.** The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued guidance on the accounting treatment and disclosure requirements expected for grants and for the accounting of personal protective equipment. This guidance was issued to councils in June, after unaudited accounts had already been prepared.

**46.** The majority of council auditors reported errors in the accounting treatment of these unusual transactions in the unaudited annual accounts, but councils made appropriate adjustments to reflect Scottish Government and LASAAC guidance.

**47.** Auditors also noted some wider issues including errors in asset valuations and the consolidation of group accounts. An increase in the number of errors identified may be linked to the challenges faced by council finance teams working remotely and faced with the additional responsibilities that arose during the Covid-19 pandemic.

### **Auditors reported issues with transformation plans, support for ALEOs, weaknesses in internal controls, and impacts on long-term planning and capacity due to Covid-19**

- **Progress with transformation plans:** Covid-19 slowed progress in transformation and savings plans at some councils in 2020/21. For example, service redesign savings of £1 million were not achieved at Comhairle nan Eilean Siar because resources were reprioritised in response to Covid-19. Similarly, East Dunbartonshire Council's auditor noted that planned efficiency and transformation savings were not fully achieved in 2020/21, due to Covid-19, but that the shortfall was met by budget underspending. Fife Council's transformation programme has also been adversely affected by Covid-19.
- **Funding of leisure ALEOs:** East Dunbartonshire Council supported the East Dunbartonshire Leisure and Culture Trust (EDLCT) through its Covid-19 challenges to ensure the sustainability of its services. EDLCT experienced a significant drop in its income because its facilities were closed in response to Covid-19 and reported a loss of £4.7 million for 2020/21. The council provided additional funding to EDLCT in 2020/21 for vaccination costs (£0.3 million) and loss of income (£0.7 million), as well as letters of comfort to ensure the trust's financial sustainability. Other auditors reported similar support for leisure trusts.
- **Improvements required in internal controls:** The auditors of Glasgow City Council highlighted areas where improvements in internal controls are needed. These were in relation to journal authorisation, checks on discounts on council tax and NDR and on housing benefits, and key system user access. Changes in business operations and working circumstances because of Covid-19 are

likely to have contributed to the weaknesses identified. Covid-19 also had a significant impact on staff capacity and the control environment at Clackmannanshire Council. Auditors concluded that introducing remote working and additional duties and reprioritising tasks had a significant impact on staff capacity to undertake routine tasks on time. This affected the control environment, with several control weaknesses identified that needed a change in the audit approach. Substantive testing was increased to enable the auditors to obtain the required audit assurances.

- **Long-term financial planning:** Some councils have updated their long-term financial plans to reflect the ongoing impact of the Covid-19 pandemic. These plans cover a 10-year period and are in place at Argyll and Bute Council, Comhairle nan Eilean Siar, Inverclyde Council, North Ayrshire Council and West Dunbartonshire Council. The auditors of Dundee City Council note that, although a long-term financial strategy was approved in August 2019, this will now need to be revised to reflect the longer-term financial impact of Covid-19. Auditors note similar findings at Glasgow City Council, Orkney Islands Council and South Lanarkshire Council.
- **Workforce capacity challenges:** Auditors at nine councils reported issues relating to workforce capacity in 2020/21. For example, Angus Council's payroll team faced additional pressures because of staff absences; Comhairle nan Eilean Siar has faced challenges in recruiting a new director for assets, finance and resources; and Dundee City Council faced additional workload challenges caused by a number of changes in key finance staff, administrative problems presented by the Covid-19 support schemes, sickness absence and the impact of remote working.

## Local government pension funds

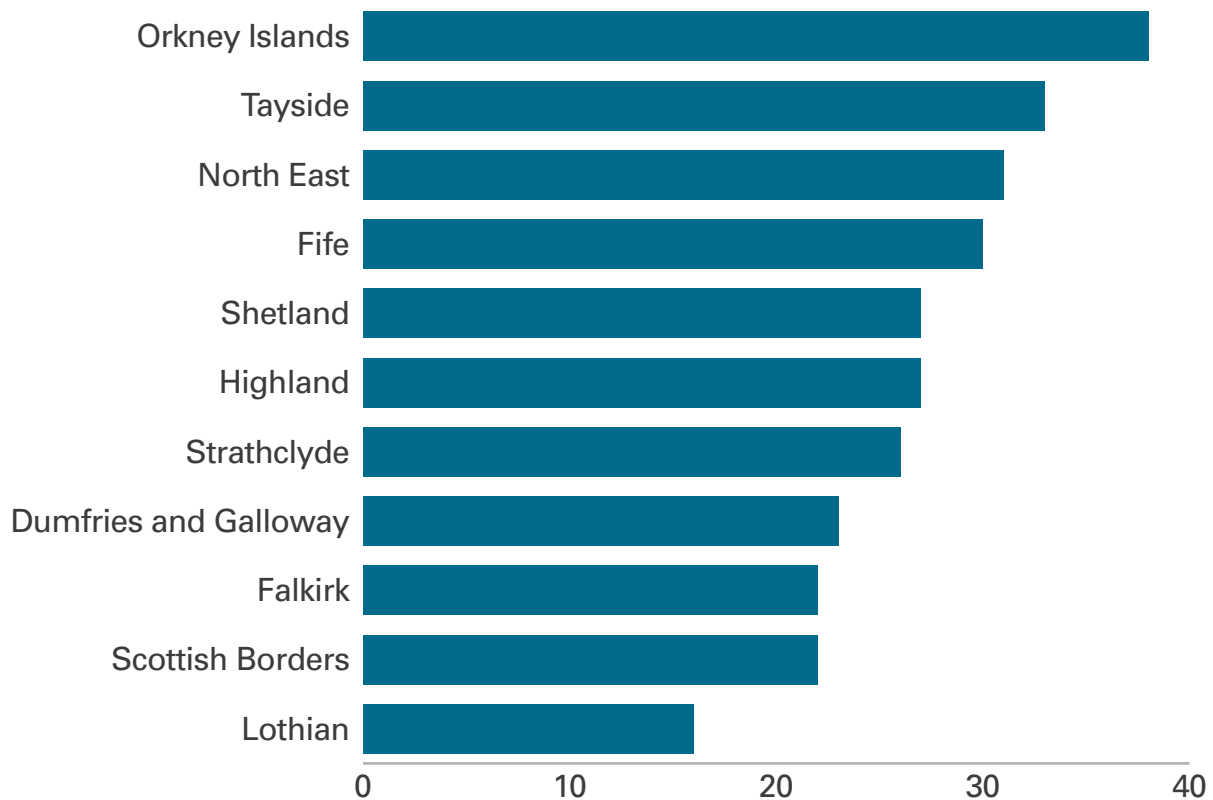
### Pension fund investment returns improved in 2020/21 following initial market reactions to Covid-19 in the last quarter of 2019/20

**48.** The 11 main Scottish local government pension funds experienced positive investment returns in 2020/21. The annual return was between 15.6 per cent and 38.3 per cent in individual funds, based on the average assets position ([Exhibit 9](#)). The improvement in asset valuations during 2020/21 followed the global impact on investment values due to Covid-19 in the last quarter to 31 March 2020.

### Exhibit 9.

#### Investment returns based on average assets in Scottish Pension Funds 2020/21

2020/21 investment returns were positive for all funds.



Source: Audited accounts of the Pension Funds 2020/21

## **Funds tended to outperform their benchmarks**

**49.** In the majority of funds, the overall investment returns outperformed their individual annual benchmarks to 31 March 2021. Fund benchmarks and annual returns reflect the investment strategy of each fund. Funds' investment strategies and exposure to market volatility and risk will differ.

## **The triennial funding valuation at 31 March 2020 showed improved funding positions for most funds with a number showing funding levels of more than 100 per cent**

**50.** The triennial funding valuation took place across Local Government Pension Scheme pension funds on 31 March 2020. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period.

**51.** Overall, the funding position has improved across Scotland. Nine of the 11 pension funds showed an improved funding position compared with 2017, with the biggest increase noted at Lothian Pension Fund (98 per cent funded in 2017; 106 per cent funded in 2020).

**52.** Seven funds show funding levels of more than 100 per cent. These range from 118 per cent in Orkney Islands Council Pension Fund to 100 per cent at Highland Pension Fund. Not all pension funds were fully funded, however. Funding levels of 92 per cent were noted at Dumfries and Galloway Pension Fund and at Shetland Islands Council Pension Fund.

# Financial management and transparency

## Management commentaries in councils accounts have improved, but many are still not complying with previous recommendations on transparency

**53.** In previous Local government in Scotland: Financial overview reports we highlighted three key aspects in assessing whether financial reporting is transparent in the management commentaries:

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

**54.** Our review of 2020/21 management commentaries found that:

- Argyll and Bute Council, City of Edinburgh Council, Comhairle nan Eilean Siar, Fife Council, South Lanarkshire Council, Stirling Council and West Dunbartonshire Council included these key aspects of transparency in their management commentaries.
- Nearly all councils reported their year-end outturn, but six councils did not explain significant variances from budget.
- Only nine councils reported progress against agreed savings.

## Recommendation

**We recommend again that councils review and improve how they comply with these key expectations of transparency**

### Most councils identified the financial impact of Covid-19 in their management commentaries

**55.** We also considered the extent to which management commentaries for 2020/21 included detail of the impact of Covid-19 on councils' financial positions and governance arrangements. Most councils included good coverage of this in the management commentary, particularly on the total cost of Covid-19, additional funding provided and the distribution of business support grants on behalf of the Scottish Government.

# 3. Councils' financial outlook

## Key messages

- 1** Uncertainty over the amount of funding available for Covid-19 recovery at the end of 2020/21 led to difficulties in setting budgets, and many councils established updated Covid-19 budgets in autumn 2021.
  - 2** Initial Scottish Government revenue funding in 2021/22 has increased by 1.1 per cent in real terms.
  - 3** Covid-19 resulted in revised medium-term financial plans, but longer-term planning will need to be updated as Covid-19 uncertainty diminishes.
  - 4** Scottish Government capital funding in 2021/22 is expected to fall again. This may have a significant adverse impact on councils' investment plans.
  - 5** The long-term funding position for councils remains uncertain, with significant challenges ahead as councils continue to manage and respond to the impact of Covid-19 on their services, finances and communities.
  - 6** In the longer term, uncertainty creates challenges for councils as they seek to address cost and demand pressures that existed before the impact of Covid-19, as well as develop long-term plans with their partners to address complex issues such as child poverty and inequalities, to improve economic growth and to deliver Scotland's net zero ambitions.
-

## Budgets for 2021/22

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

**56.** Councils approved net expenditure budgets of £13.8 billion for 2021/22, including a budget gap of £0.2 billion (or 1.5 per cent). Many budgets were set before the full impact of Covid-19 funding was known in 2020/21, and some councils set their budget over more than one meeting due to changing financial position on funding.

**57.** As Covid-19 funding was not incorporated into initial council budgets for 2021/22, many councils presented additional 'Covid-19 budgets' in autumn 2021. Of a sample of 22 councils, only five (or 23 per cent) reported that they have updated their reserves policy because of changes resulting from Covid-19.

### Recommendation

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

#### **All councils froze council tax for 2021/22**

**58.** The Scottish Government made a grant offer conditional on all councils agreeing to freeze their council tax at 2020/21 levels. All councils agreed to accept this offer and froze council tax for 2021/22.

#### **Many councils continue to present multi-year indicative budgets**

**59.** Sixteen councils presented multi-year indicative budgets in 2021/22. In four councils (Aberdeen City, Aberdeenshire, Scottish Borders and Stirling) budgets cover the next five years, and the others cover two or three years.



# Financial pressures in 2021/22 budgets

## The 2021/22 budget papers contained some common themes in the pressures that councils identified

**60.** Councils consistently identified short- and long-term cost pressures in their initial 2021/22 budget papers, including:

- costs associated with restarting services after restrictions have ended
- inflation
- increased pay awards
- demand pressures, particularly population and demographic changes
- pressure on capital budgets
- financial sustainability challenges for ALEOs.

**61.** Further commentary on the future funding position of councils and the associated challenges is included at [paragraphs 70 to 73](#).

## 2021/22 funding settlement

**Excluding Covid-19 funding, initial Scottish Government revenue funding in 2021/22 has increased by 1.1 per cent in real terms. However, when non-recurring Covid-19 funding is included, total revenue funding has fallen by 7.4 per cent in real terms**

**62.** The initial local government revenue settlement from the Scottish Government in 2021/22, excluding non-recurring Covid-19 funding, increased by 3.4 per cent (cash terms) from 2020/21 to £11.0 billion. This was a real terms increase of 1.1 per cent ([Exhibit 10](#)).

**63.** Non-recurring funding related to Covid-19 has fallen from £1.3 billion in 2020/21 to £0.3 billion in 2021/22. As a result, total revenue funding has fallen by 7.4 per cent in real terms from £11.9 billion in 2020/21 to £11.3 billion in 2021/22.

### Exhibit 10.

#### Changes in Scottish Government initial revenue funding in 2021/22

	2020/21 £ million	2021/22 £ million	Cash change %	Real terms change %
General revenue grant and non-domestic rate income	9,967	10,267	3.0	0.6
Specific revenue grants	710	776	9.3	6.8
<b>Revenue funding excluding Covid-19</b>	<b>10,677</b>	<b>11,043</b>	<b>3.4</b>	<b>1.1</b>
Non-recurring Covid-19 funding	1,254	259	-79.3	-79.8
<b>Total revenue funding</b>	<b>11,931</b>	<b>11,302</b>	<b>-5.3</b>	<b>-7.4</b>

Source: Finance circulars 05/2021 and Scottish Government Budget documents

# Medium- and long-term financial planning

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

**64.** Auditors have reported greater uncertainty in current financial planning arrangements at councils because of Covid-19. All councils will now need to revise medium-term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions.

**65.** Of a sample of 22 councils, all have a medium-term financial plan in place that covers a 3-5 year period. Only 19 councils review the plan annually.

**66.** Fifteen of the 22 councils sampled have a longer-term financial plan in place (covering a period of over five years), but many now need updated. The continuing uncertainty and related challenges created by Covid-19 mean that councils have concentrated on revising medium-term financial plans during the recovery from the pandemic. As the uncertainty created by Covid-19 diminishes, councils should update their longer-term financial plans to reflect this. It is also important that councils take account of their overarching recovery strategies in the longer term.

**67.** Most medium-term financial plans included in our sample contained details of savings and targets, cost pressures, updates on Scottish Government funding levels and scenario planning for the future. We noted gaps, however, in some medium-term financial plans in that key areas and risks, such as Scottish Government settlement updates, staff costs, demographics and inflation, are set out but not quantified.

## **Recommendation**

**All councils will now need to revise medium-term financial plans to reflect additional financial pressures and updated funding arrangements and to account for updated savings requirements and financial assumptions.**

**Councils should also review longer-term planning as Covid-19 uncertainty diminishes.**

# Capital funding

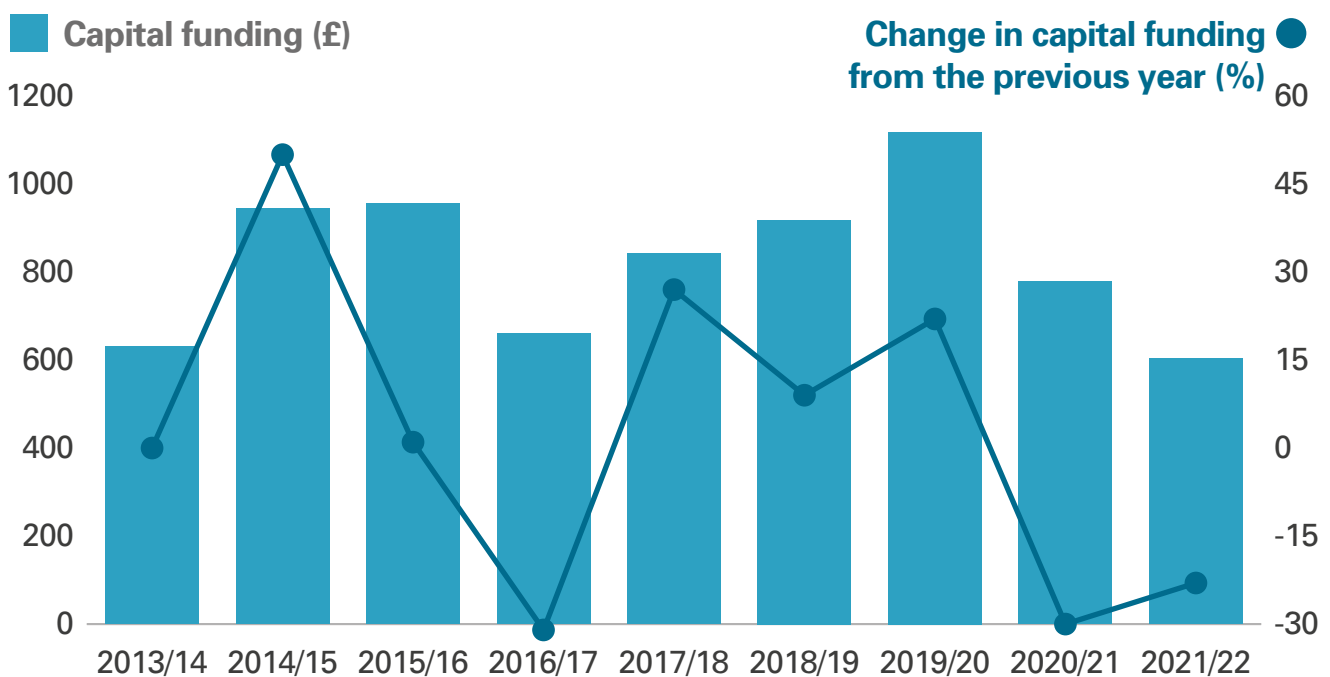
## Scottish Government capital funding in 2021/22 is expected to fall again

**68.** The local government capital settlement in 2021/22 decreased from £0.8 billion in 2020/21 to £0.6 billion. Capital funding increased significantly up to 2019/20 before falling in 2020/21 and 2021/22 (33 per cent increase between 2017/18 and 2019/20 when capital funding was £1.1 billion). Total capital funding has fallen to a level below that in 2013/14 in real terms ([Exhibit 11](#)).

## Exhibit 11.

### Real terms capital funding between 2013/14 and 2021/22

Scottish Government capital funding in 2021/22 is decreasing by 23 per cent



Source: Finance circulars 05/2021 and Scottish Government budget documents

### The fall in capital funding may have a significant impact on councils' investment plans

**69.** Reductions in capital funding may have a significant adverse impact on councils' investment plans. This may create a risk that the progress of crucial transformation activity will be restricted. This is of significant concern at a time when councils will face challenges in supporting communities and local economies to recover from the impact of Covid-19, as well as taking on other local priorities and national policy commitments.

## Longer-term financial challenges

### **Councils' future funding position remains uncertain, with many challenges ahead**

**70.** The funding settlement from the Scottish Government to councils continues to be provided on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium and longer term and creates uncertainty over future funding. COSLA expects that the impact of the Covid-19 pandemic will last for many years and that continuing loss of income and additional expenditure will be a concern for all councils. Managing reserves and medium and longer-term financial planning will continue to be key to maintaining financial sustainability.

**71.** COSLA also expects that uncertainty over the continuity of Covid-19 funding in future years will bring substantial challenges to councils in developing effective medium and longer-term financial plans. As Covid-19 funding reduces, councils will need to accelerate progress with transformation programmes that have stalled, address issues in delivering recurring savings and bring forward proposals to reduce costs to maintain financial sustainability.

**72.** Although councils' reserves increased significantly in 2020/21, large parts have been earmarked for specific purposes, such as economic recovery, business transformation and, in some cases, balancing budgets, as part of a longer-term financial strategy. This therefore limits councils' flexibility to respond to unforeseen challenges and circumstances that may arise.

**73.** The requirement for councils to plan and deliver new ways of working across services, the need to meet carbon reduction targets to mitigate climate change and the potential impact of a national care service on councils' finances and service viability further exacerbate this challenge. We intend to comment further on this as part of our Local government in Scotland: Overview 2022 report, due for publication in May 2022.

### **The Scottish Government and COSLA are discussing the extent of ring-fencing in the local government budget**

**74.** The provisional Scottish local government finance settlement for 2022/23 was published on 20 December 2021. This set out that a total of £12.5 billion will be distributed to local authorities in 2022/23. However, a final figure has yet to be established as the Scottish Budget process continues.

**75.** Almost £1.4 billion of the local government settlement is being transferred from other portfolios. As noted in our recent Scottish Budget 2022/23 briefing, the Scottish Government regards this funding as general revenue grant, available to allocate to local needs and priorities, and considers specific revenue grants the only element of the revenue

settlement that is ring-fenced. COSLA contests this view and claims that revenue funding transferred from other portfolios is ring-fenced for implementing a specific policy and comes with conditions setting out how it should be used.

**76.** The [Scottish Parliament Information Centre notes](#) that, if specific revenue grants are the only part of funding that is considered ring-fenced, then ring-fenced funds as a proportion of total revenue grew from 2.7 per cent in 2018/19 to 6.6 per cent in 2022/23. However, if COSLA's definition of ring-fencing is used, namely specific revenue grants plus revenue transferred from other portfolios, then ring-fenced funding as a proportion of total revenue grew from 4.0 per cent in 2018/19 to 17.9 per cent in 2022/23.

**77.** As we have noted earlier in the report, ring-fenced funding helps support the delivery of key Scottish Government policy initiatives but constrains a proportion of councils' total funding and removes any local discretion over how these funds can be used. The Scottish Government and COSLA continue to discuss this.

**Local Government  
Finance: Budget  
2022-23 And  
Provisional  
Allocations to  
Local Authorities**

Scottish  
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January 2022



# Local government in Scotland

# Financial overview

## 2020/21

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

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## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	Audit Scotland: Local Government in Scotland – Financial Overview 2020/21
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance and ICT – tim.baulk@south-ayrshire.gov.uk

### 2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-



**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p>— <b>YES</b></p> <p><b>NO</b></p>
<p><b>Rationale for decision:</b></p> <p><b>This report advises Members of the findings of the report by Audit Scotland. Their decision on this has no specific equality implications</b></p>	
<p><b>Signed :</b> Tim Baulk <span style="float: right;"><b>Head of Service</b></span></p> <p><b>Date:</b> 21 January 2022</p>	

**South Ayrshire Council**

**Report by Head of Finance and ICT  
to Audit and Governance Panel  
of 22 June 2022**

**Subject: External Audit Reports – Progress to 31 March 2022**

**1. Purpose**

1.1 The purpose of this report is to provide Members with an update on the progress that the Council is making in relation to external audit improvement actions.

**2. Recommendation**

**2.1 It is recommended that the Panel scrutinises the progress against the Council’s external audit improvement actions as presented in this report**

**3. Background**

3.1 The last report on progress was presented to the Panel on 23 February 2022. This report covers progress against the outstanding actions from that update.

**4. Proposals**

4.1 Progress from 1 February to 31 March is summarised below:

Status of External Audit Actions as at 31 March 2021	Completed since February 2021	On target	Not on Target	Total
				
Annual Report on 2019/20 Audit – Sept 20	1	-	-	1
<b>Overall:</b>	1	-	-	1

4.2 During the reporting period, one action was completed. All External Audit actions from previous External Audit reports on the financial statement of the Council up to and including the 2020/21 financial statements are now complete.

4.3 Progress against the External Audit actions resulting from the October 2021 Best Value Assurance report will be presented in a separate report to a future meeting of the Audit and Governance Panel following the summer recess.

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 None.

## **7. Human Resources Implications**

7.1 None.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## **9. Equalities**

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

**Background Papers**    **Report to Audit and Governance Panel of 23 February 2022 - [External Audit Reports – Progress to 31 December 2021](#)**

**Person to Contact**    **Tim Baulk, Head of Finance and ICT  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612620  
Email [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject: Corporate Fraud Team – Activity Report 6 months to  
31 March 2022**

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**1. Purpose**

1.1 The purpose of this report is to advise Members of the Corporate Fraud Team's (CFT) activity from 1 October 2021 to 31 March 2022.

**2. Recommendation**

**2.1 It is recommended that the Panel scrutinises the content of this report.**

**3. Background**

3.1 This report provides an update on the CFT's activity for the six month period to 31 March 2022. The previous six monthly update was presented to this Panel on 1 December 2021.

3.2 The CFT is a specialist investigative unit with the Internal Audit and Corporate Fraud Service with responsibility for proactively and reactively investigating all types of corporate fraud against the Council, including:

- Council Tax Reduction/ Exemptions/ Discounts;
- Business Rates;
- Scottish Welfare Fund;
- Housing Tenancy;
- Employee Fraud;
- Procurement; and
- Blue Badge Misuse.

3.3 During 2020/21 and 2021/22, COVID-19 was added as an additional category of fraud being investigated by the CFT. The CFT have worked on referrals on COVID-19 business, self-employed grants, and the strategic framework business grants. The results and outcomes of investigations carried out during the six month period to 31 March 2022 are contained in this report.

3.4 The Internal Audit and Corporate Fraud Service also has responsibility for coordinating the Council's response to the National Fraud Initiative (NFI) exercise. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public

sector which aims to prevent and detect fraud. The NFI in Scotland is led Nationally by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data both within and between participating bodies to detect fraud and error.

3.5 South Ayrshire Council participated in the 2020/21 exercise to date and uploaded a number of data sets which is a mandatory part of the exercise. This includes:

- payroll;
- housing tenants and waiting lists;
- blue badges;
- trade creditors;
- taxi drivers;
- council tax single person's discount;
- electoral register;
- council tax reduction scheme; and
- grant recipients (a new category for 2020/21 to capture COVID-19 business grants data).

3.6 The results of the NFI exercise are then returned to Councils for further investigation where required. As agreed by the Leadership Panel at their meeting on 16 March 2021 high quality NFI matches were investigated by the CFT in partnership with the relevant Service Areas. An update on this completed work is included in section 3.7 below.

### 3.7 ***NFI 2020/21 Exercise Result Update***

3.7.1 A total of 4,146 individual matches were received in respect of South Ayrshire Council covering areas such as Blue Badges, Council Tax Reduction and Housing Tenants. A total of 679 high level recommended matches were reviewed by the CFT and other officers within Services. The final results are as follows:

*(Table One- NFI Investigation Results)*

Fraud/Error Type	Processed	Errors	NFI Future Financial Saving Estimates	Actual Financial Savings (£) Recoverable
Blue Badge	190	68	£39,100.00	
Council Tax Reduction	117	4	£705.39	£2,294.74
Business Rates SBBS	36	4	£15,949.95	£26,966.59
Housing	300	1		
Payroll	36	0		
<b>Total</b>	<b>679</b>	<b>77</b>	<b>£55,754.89</b>	<b>£29,261.33</b>

3.7.2 The NFI future financial savings estimates are nominal amounts attributed to errors/fraud by the Cabinet Office and may not reflect actual savings amounts for the Council. For example, £575 is allocated to each Blue Badge error as an estimate of the future saving as a result of cancelling a

blue badge, this may not be a true representation of future saving to South Ayrshire Council. The amounts recorded in the Actual Financial Savings (£) Recoverable column represent actual amounts saved/recoverable by the Council. The results from NFI investigations completed by the CFT are included in update reports in the period they are carried out. The results detailed in table one above were included in the update to this Panel on 1 December 2021.

## 4. Proposals

### 4.1 ***Corporate Fraud Activity 1 October 2021 to 31 March 2022***

- 4.1.1 The table at [Appendix 1](#) shows the activity of the CFT from 1 October 2021 to 31 March 2022, further explanation is provided below.
- 4.1.2 Council tax investigations comprise of cases where there has been a failure to declare changes in income, residency or changes that may affect discounts and exemptions.
- 4.1.3 The CFT receive individual complaints and carry out checks on properties in receipt of Non-Domestic Rates empty property relief as well as the small business bonus scheme.
- 4.1.4 House visits are carried out to check that applications for community care grants from the Social Welfare Fund are genuine.
- 4.1.5 Tenancy fraud is identified where the tenant is not residing in the property or is sub-letting. After CFT investigations one tenancy was given up and one homeless accommodation was removed by Housing Services. One case is currently still at the Procurator Fiscal.
- 4.1.6 Housing Tenant debt arises where a local authority tenant has left/absconded from a tenancy with outstanding rent arrears. CFT carry out checks to locate and trace the former tenants on behalf of Housing Services.
- 4.1.7 Employee investigations arise where allegations have been made relating to Council employees. There was an investigation into a missing cash amount investigated during this period which was passed to Police Scotland.
- 4.1.8 Blue Badge investigations arise where an allegation has been received about misuse.
- 4.1.9 In March 2020 the Scottish Government introduced grant funding schemes to be administered by Councils to assist companies impacted by the restrictions put in place to control the spread of Covid 19. Further grant funding was made available by the Scottish Government throughout 2021/22 to help businesses that continued to be impacted by further restrictions imposed to deal with ongoing pandemic. These grants were administered by Revenues and Benefit and Economy and Regeneration and the CFT worked closely with services dealing with referrals for possible fraudulent applications as well as interventions to check eligibility of claims. The results of investigations carried out in the six month period to 31 March 2022 are included in this report. The results of investigations

carried out prior to this period were included in previous CFT updates to this panel. Two applications for Strategic Framework Business Grants are at the Procurator Fiscal for consideration.

- 4.1.10 In addition to dealing with COVID Business grant referrals from Services South Ayrshire Council has participated in Pan Ayrshire Data Matching exercises. There has been a total of four Pan Ayrshire Data Matching exercises completed to date and a final data match is currently ongoing. The Pan Ayrshire Data Match exercises aim to identify where duplicate grant payments have been made across the three Ayrshire Councils and are carried out by East Ayrshire Council's Internal Audit team with results returned to Internal Audit and Corporate Fraud for review. The Corporate Fraud Team investigated relevant matches and took appropriate action where required, including recovery of overpayments and referral to Police Scotland. The results of the first four data matching exercises were included in previous CFT update reports to this Panel and the results of the final exercise will be included in the CFT update report when concluded.

## **5. Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

- 6.1 Recovery of the amounts due is in progress. In Council Tax Reduction and discount cases the debtor is rebilled reflecting the amount due. The savings identified from Covid Business Support Grants are from cases investigated by the CFT which have either not been paid or are have been identified for recovery. The savings identified of £30,215.72 represents the amount that would have been lost to the Public Purse had the fraud/error/debt remained undetected by the Council's CFT.

## **7. Human Resources Implications**

- 7.1 Investigations involving a Council Employee are conducted in line with the Councils Special Investigation Procedures. HR is consulted where required.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

- 8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

- 8.2.1 There are no risks associated with rejecting the recommendations.

## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact



Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 2](#).

## 10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## 11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## 12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## 13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**      **Report to Audit and Governance Panel of 1 December 2021**  
**[Corporate Fraud Team Activity Report](#)**

**Person to Contact**      **Cecilia McGhee, Chief Internal Auditor**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612432**  
**E-mail [Cecilia.McGhee2@south-ayrshire.gov.uk](mailto:Cecilia.McGhee2@south-ayrshire.gov.uk)**

**Douglas Urquhart, Senior Investigations Officer**  
**Corporate Fraud**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612662**  
**E-mail [dougie.urquhart@south-ayrshire.gov.uk](mailto:dougie.urquhart@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

Corporate Fraud Activity 1 October 2021 – 31 March 2022

Appendix 1

Fraud/Error Type	Cases b/f from previous report	New referrals in period	Total referrals	Closed Cases	Current Live Cases	Non-Financial Benefit/ Outcome	Financial Savings (£)
Council Tax (Reduction, Exemptions and Discounts, Arrears)	12	13	25	21	4	-	£6,947.71
Scottish Welfare Fund visits	0	4	4	4	0	-	£1,732.93
Employee Cash investigation	0	1	1	1	0	Reported to Police Scotland	
Tenancy Fraud	1	4	5	4	1	1 case at PF 1 tenancy given up 1 temp accommodation removed.	
Housing Tenant Debt Locate & Trace checks	0	14	14	12	2	-	£11,535.08
Blue Badge Investigation	0	3	3	2	1	2 cases referred to DWP	
Covid-19 Business Grants	2	1	3	1	2	2 Cases at PF	£10,000
<b>Total for Six Months to 31/3/22</b>	<b>15</b>	<b>40</b>	<b>55</b>	<b>45</b>	<b>10</b>		<b>£30,215.72</b>
<b>Total for Six Month to 30/9/21</b> <i>(included in November report to Panel)</i>							<b>£103,382.14</b>
<b>Annual Total 2021/22</b>							<b>£133,597.86</b>

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Corporate Fraud Team – Activity Report</b>
Lead Officer (Name/Position/Email)	Douglas Urquhart, Senior Investigations Officer - <a href="mailto:dougie.urquhart@south-ayrshire.gov.uk">dougie.urquhart@south-ayrshire.gov.uk</a>

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p><del>YES</del> <b>NO</b>      <input checked="" type="checkbox"/></p>
<p><b>Rationale for decision:</b> This report advises Members of the Corporate Fraud Team’s activity and performance from October 2021 to March 2022. Their consideration of this has no specific equality implications.</p>	
<p><b>Signed :</b> Douglas Urquhart, Senior Investigations Officer</p> <p><b>Date:</b> 13 May 2022</p>	

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject: Internal Audit Annual Report 2021/22**

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**1. Purpose**

- 1.1 The purpose of this report is to present to the Audit and Governance Panel the annual report on the internal audit activity during 2021/22, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2022.

**2. Recommendation**

- 2.1 **It is recommended that the Panel scrutinises the contents of the report.**

**3. Background**

- 3.1 The Chief Internal Auditor is required, on an annual basis, to present an annual report and statement on internal controls to the Panel.

**4. Proposals**

- 4.1 The required annual report for financial year 2021/22, together with the statement on internal controls, is included in [Appendix 1](#).
- 4.2 The revised internal audit plan for 2021/22 (approved by the Panel in February 2022) has been substantially completed; audit fieldwork is outstanding on two Council assignments, with remaining draft reports at final clearance stage. Their individual internal control assessments can therefore be included in the overall annual audit opinion.

**5. Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

**6. Financial Implications**

- 6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation.

## **9. Equalities**

9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 2](#).

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**    **Report to Audit and Governance Panel of 23 February 2022 - [Revised Internal Audit Plan 2021/22](#)**

**[Public Sector Internal Audit Standards - April 2017](#)**

**Person to Contact**    **Cecilia McGhee, Chief Internal Auditor**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612432**  
**E-mail [Cecilia.McGhee2@south-ayrshire.gov.uk](mailto:Cecilia.McGhee2@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

## Internal Audit Annual Report 2021/22

**1. Introduction**

- 1.1. The purpose of this report is to summarise the Internal Audit activity for 2021/22.

**2. Internal Control Framework**

- 2.1. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective control. It is the responsibility of management to have adequate controls in place and to ensure these controls are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedure. Such systems of internal control can provide only reasonable and not absolute assurance against loss.

**3. Reporting requirements of the Public Sector Internal Audit Standards (PSIAS)**

- 3.1. Internal Audit operates in accordance with the PSIAS requirements and is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Governance Panel on 16 March 2022.
- 3.3. The PSIAS places a number of reporting obligations on the Chief Internal Auditor in respect of the annual report. These obligations are summarised below:

<b>PSIAS Ref</b>	<b>Requirement</b>	<b>Evidence</b>
1110	The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.	The Chief Internal Auditor reports directly to the Audit and Governance Panel, and unfettered access is available to the Chief Executive as required.
1320	The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.	The results of the self-assessment, carried out in 2021, were reported to the Audit and Governance Panel on 3 November 2021. There were no actions arising from this assessment.
2450	The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.	This report to Audit and Governance Panel provides the annual statement of assurance on internal controls.



<b>PSIAS Ref</b>	<b>Requirement</b>	<b>Evidence</b>
2450	The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.	This report to Audit and Governance Panel provides the annual statement of assurance on internal controls.
2450	The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.	This report to Audit and Governance Panel provides a statement on the conformance with the PSIAS.

#### **4. Compliance with PSIAS**

- 4.1. The Chief Internal Auditor is required to confirm internal audit's compliance with the Public Sector Internal Audit Standards. The results of the most recent self-assessment were reported to the Panel in November 2021. The service was externally assessed as 'generally conforms' with PSIAS in 2018. Self-assessments since that date, and since the implementation of the external action plan, confirm the service 'fully conforms'. The five-year external assessment is scheduled for 2022.

#### **5. Position and Resourcing of Internal Audit**

- 5.1. Internal Audit and Corporate Fraud is situated within the People Directorate, with line management responsibility to the Assistant Director, People. The Chief Internal Auditor remains functionally responsible to the Audit and Governance Panel and attends all Panel meetings. The Chief Internal Auditor has unfettered access to the Chief Executive where required.
- 5.2. Internal Audit includes four professionally qualified posts (3.64 FTE). Corporate Fraud includes a further two posts (2 FTE), with the Senior Investigations Officer holding the Accredited Counter Fraud Specialist qualification.
- 5.3. Internal Audit experienced staffing resource issues throughout 2021/22 which resulted in a substantial reduction of available internal audit days available. A revised plan based an assessment of risk in the audit area and which reflected the resources available was approved by Panel in February 2022. Risk was also considered where the scope of the audit has been amended which ensured there was no limitation of scope which had a negative impact on the provision the annual audit opinion for 2021/22. The Councils' External Auditors were advised of this approach and did not raise any concerns.

#### **6. Achievement of Annual Internal Audit Plan 2021/22**

- 6.1. Internal audit activity during the year was undertaken in accordance with the revised annual internal audit plan. Progress reports have been provided to the Audit and Governance Panel quarterly throughout the year. All assignments included within the revised plan, approved by the Audit and Governance Panel in February 2022, have been substantially completed. Sufficient work has been carried out to enable an annual audit opinion on the adequacy of internal controls to be produced.

6.2. The revised 2021/22 internal audit plan estimated 359 direct audit days (2020/21: 542 days). The actual number of days achieved for 2020/21 was 342 days (2020/21: 513 days). An analysis of audit days by type of audit is summarised in the following table:

Type of Audit	Planned Days 2021/22	Actual Days 2021/22	Variance in days
Key corporate systems	25	19	(6)
ICT auditing	29	29	0
Governance and best value	71	67	(4)
Directorates and other systems	76	87	11
Other entities	44	6	(38)
Regularity	28	35	7
Other	86	99	13
<b>TOTAL</b>	<b>359</b>	<b>342</b>	<b>(17)</b>

6.3. The overall number of days is generally in line with the revised plan. Key differences are explained below:

- The reduction in days used in key corporate systems and other entities is as a result of delayed starts of three assignments. This was due to competing priorities within Services. Further work has been carried out in 2022/23 to conclude these assignments using the allocation of time for the closure of prior year audit work included in the proposed 2022/23 Internal Audit Plan.
- The increase in days used in directorates and other systems, regularity and other was primarily due to additional support required to be provided a new member of the Internal Audit team that was not anticipated at the time of planning the revised Internal Audit Plan.

6.4. A total of 13 internal audit reports have been issued for 2021/22. Management have agreed to implement all action points arising with the reports issued. There are an additional four audit assignments from the revised plan which have been completed and the reports drafted, however they are not yet cleared and finalised with the service. (see summary at [Annex A](#)). As the fieldwork is completed their conclusions can still be included in the overall opinion for 2021/22.

6.5. Overall, the audit findings suggested that while some weaknesses were identified and certain elements of control were only partially in place, when taken with other findings they did not significantly impair the overall systems of internal control in the areas reviewed.

## 7. Performance Indicators

7.1. Internal Audit reports against four key performance indicators:

- Productivity/utilisation (see 7.2)
- Percentage of reviews completed in audit plan (see 7.4)
- Number of ad-hoc requests and investigations (see 7.6)
- Time spent on audits/time taken to complete audits (see 7.7)

### *Productivity/Utilisation*

- 7.2. Internal Audit measures productivity on a regular basis throughout the year. This is classed as 'direct' audit time. The productivity level is shown in the following table:

	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>
Direct	76%	76.9%	86.1%
Indirect*	18%	18.0%	9.3%
Management	6%	5.1%	4.6%

\*e.g. administration, training and meetings

- 7.3. Direct audit is slightly lower than in previous years as greater amount of time has been spent on indirect activities and management such as absence management, recruitment and training.

### *Percentage of Reviews Completed in Audit Plan*

- 7.4. The revised internal audit plan for 2021/22, approved by the Panel on 23 February 2022, included 19 deliverable assignments for South Ayrshire Council. Certain items in the plan do not have individual outputs (such as management and audit development time) and are therefore excluded from this indicator. A summary of the plan completion is included in the following table:

<b>Status</b>	<b>Number</b>	<b>Percentage</b>
Testing Complete	17	89%
Work in progress	2	11%
	<b>19</b>	<b>100%</b>

### *Number of ad-hoc requests and investigations*

- 7.5. An analysis is maintained by the Chief Internal Auditor of all additional work arising through investigations and ad-hoc requests for advice. Thirteen areas of ad-hoc advice and contingency assignments have been provided during 2021/22, including; advice around processes for lost and stolen devices and a number of COVID-19 items including pan-Ayrshire COVID-19 data matching exercise and Business Grants; review of Health and Social Care CM2000 IT System implementation and compliance with council policies and procedures around expenses; advice and audit input to the revised risk management strategy; Audit requirements for the demonstration of benefits realisation resulting from the change programme; and Subject matter advice and input as required for the implementation of the new Oracle Fusion system.

### *Time spent on audits/time taken to achieve audits*

- 7.6. The time spent on audits and the time taken to achieve audits is monitored on a continual basis by the Chief Internal Auditor. A single indicator does not exist for this measure, as the various audit assignments are significantly different in the type of audit work undertaken and the budget required to achieve the audit objectives. The performance information maintained for this indicator includes the measurement of time against budget as well as the elapsed time taken from the agreement of the Terms of Reference through to the issuing of the final report. This information is used to track completion of the audit plan and to assign work within the team.

## **8. Counter Fraud Work**

- 8.1. The Corporate Fraud team has responsibility for investigating any alleged fraud or irregularity which has been highlighted to them. They also undertake pro-active work in identifying circumstances of fraud perpetrated against the Council (either from outwith the Council or from within). Assistance will be provided by Internal Audit in cases where a lack of internal controls has contributed to a fraud taking place. One such investigations took place in 2021/22.
- 8.2. In addition to investigating alleged fraud or irregularity reported to them and carrying out pro-active anti- fraud work, the Corporate Fraud team have been involved in investigating anomalies identified during the pan-Ayrshire Covid-19 grant data matching exercise led by East Ayrshire Council and potential fraud and error identified through the latest National Fraud Initiative exercises.
- 8.3. Separate Corporate Fraud update reports are provided to the Audit and Governance Panel for scrutiny on a six monthly basis.

## **9. Other Responsibilities**

- 9.1. The Chief Internal Auditor of the Council is also the Chief Internal Auditor for the South Ayrshire Integration Joint Board (IJB) and the Ayrshire Valuation Joint Board (AVJB). In the interests of information sharing, the results of the IJB and AVJB audit work is shared with Members of the Council.

## **10. Internal Audit and Corporate Fraud Development**

- 10.1. The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified action is taken to address these. Networking opportunities are continually explored, with the Chief Internal Auditor attending the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and the Auditor attending the Computer Audit Sub-Group of SLACIAG (CASG) as well as the IDEA software user group for data analytics. These meetings are a valuable source of training and sharing of information with counterparts across Scotland.
- 10.2. Pan-Ayrshire meetings are held with the other Chief Auditors for North and East Ayrshire Council.
- 10.3. Other opportunities for training and development are explored as and when they arise.

## **11. Audit Opinion**

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

## **12. Conclusion**

- 12.1. The 2021/22 internal audit plan was satisfactorily completed. There are no limitations of scope to the issued audit opinion.

## Internal Audit Reports Issued/Drafted 2021/22

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2022-01	Payroll follow Up*	Reasonable	-	-	-	-
2022-06	Housing rents	Substantial	0	1	1	2
2022-08	PCI DSS	Reasonable	0	5	1	6
2022-09	Revenue contract audit	Substantial	0	0	2	2
2022-11	Transformation and change management	Substantial	0	0	0	0
2022-12	Strategic recovery from COVID-19 <sup>#</sup>	Substantial	0	0	3	3
2022-13	Ayrshire Growth Deal <sup>#</sup>	Reasonable	0	3	1	4
2022-14	Communication strategy	Substantial	0	2	0	2
2022-16	Controls around hall letting process	Reasonable	2	2	1	5
2022-17	Scottish Housing Regulator - Annual Assurance Statement - Governance Framework	Substantial	0	0	0	0
2022-18	Controls around fuel systems <sup>#</sup>	No assurance	6	1	0	7
2022-20	CareFirst <sup>#</sup>	Limited	3	1	0	4
2022-22	Follow Up - Kinship Care Payments*	Reasonable	-	-	-	-
2022-23	Review of COVID-19 business grants	Substantial	0	0	0	0
2022-27	Internal Control Self-Assessment Toolkit - Management of the Annual Process- Social Work	Substantial	0	0	3	3
2022-28	Continuous Auditing	Substantial	0	2	0	2
2022-29	LEADER	Substantial	0	1	0	1

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
-	Follow Up – Roads Bonds ARA*		-	-	-	-
-	Follow Up – Roads Maintenance – Materials and Stores*					

\* Follow up audits are based on previous actions only, therefore no new actions generated. ARA Assignments are completed by East Ayrshire Council

#Assignments are complete and reports drafted number of actions may be subject to change, but assurance level is unlikely to reduce.

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

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

As Chief Internal Auditor for South Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2022.

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

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

### **Sound internal controls**

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

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

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

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

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

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



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

## **Summary of Internal Audit Activity 2021/22**

A total of 13 internal audit reports have been issued for 2021/22. Nine audit opinions give substantial assurance and four reasonable assurance. A further four audit reports are in draft with their fieldwork completed, one of these have an assessment of substantial assurance, one of reasonable and two of low. A diverse range of areas have been covered during the year including housing rents, revenue contract review, Covid business grants, transformation and change management, the Ayrshire Growth Deal, Communication Strategy, the LEADER programme and two follow up reviews. Added to this, internal control self-assessment toolkit was rolled out to social care locations progress was progress was made to implement a similar tool kit within schools. As well as these planned assignments, Internal Audit also offers advice and guidance on the Council's control environment as and when required.

A range of recommendations have been raised in the areas covered by the 2021/22 internal audit plan. Many expected key controls have been in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. All 23 action points raised in the year have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment.

## **Basis of Opinion**

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

- the audit work undertaken by Internal Audit during the year to 31 March 2022;
- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- assessment of the general control environment within individual departments as completed by each Head of Service and Director;
- reports issued by the Council's external auditors and other review and inspection agencies (including the Best Value Assurance report issued in 2021 and reports issued by East Ayrshire Council auditors for Ayrshire Roads Alliance);
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and
- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.



## **Opinion**

On the above basis, Internal Audit can provide reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2021/22.

**Cecilia McGhee**  
**Chief Internal Auditor**  
**South Ayrshire Council**  
**13 May 2022**

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Internal Audit Annual Report 2021/22</b>
Lead Officer (Name/Position/Email)	Cecilia McGhee, Chief Internal Auditor - <a href="mailto:Cecilia.McGhee2@south-ayrshire.gov.uk">Cecilia.McGhee2@south-ayrshire.gov.uk</a>

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p><del>YES</del> <b>NO</b>      <input checked="" type="checkbox"/></p>
<p><b>Rationale for decision:</b> This report provides Members with the Internal Audit Annual Report and opinion for 2021/22. Their consideration of this report has no specific equality implications.</p>	
<p><b>Signed :</b>    Cecilia McGhee    <b>Chief Internal Auditor</b></p> <p><b>Date:</b>        13 May 2022</p>	

South Ayrshire Council

Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 22 June 2022

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**Subject: Proposed Internal Audit Plan 2022/23**

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**1. Purpose**

- 1.1 The purpose of this report is to submit, for Panel approval, the proposed Internal Audit Plan and reserve list for 2022/23.

**2. Recommendation**

**2.1 It is recommended that the Panel:**

2.1.1 approves the annual audit plan for 2022/23 ([Appendix 1](#)); and

2.1.2 approves the reserve list for 2022/23 ([Appendix 2](#)).

**3. Background**

- 3.1 Local authorities are required to have an internal audit service under paragraph 7 of The Local Authority Accounts (Scotland) Regulations 2014. The local authority *'must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing'*. Internal Audit works to the [Public Sector Internal Audit Standards \(PSIAS\)](#).

- 3.2 PSIAS describes internal auditing as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'*.

- 3.3 The full annual Internal Audit Plan is usually presented to the Audit and Governance Panel in March each year. However Internal Audit continues to be impacted by resourcing issues which have resulted in vacancies within key roles and, although options available to address these issues are currently being explored, they were not resolved before the start of 2022/23. In addition, the Local Government elections in May 2022 may have resulted in changes to the members of this panel. Therefore, to allow time to fully assess audit resources available in 2022/23 and for approval to be given for audit work undertaken prior to the elections, a proposed plan covering audit work for completion within the first quarter of 2022/23 was presented to the Panel at the March meeting for approval. The proposed plan at [Appendix 1](#) covers the full year and includes the quarter one plan assignments approved by the Audit and Governance Panel in March.

## 4. Proposals

### 4.1 *Basis for the Internal Audit Plan*

- 4.1.1 The basis for the plan is the PSIAS requirement (PSIAS section 2000) to establish a risk-based plan to determine the priorities for internal audit, which should be consistent with the Council's objectives.
- 4.1.2 The risk-based plan must consider the requirement to produce an annual internal audit opinion (PSIAS section 2010). The Chief Internal Auditor forms an annual assurance opinion based on an annual programme of audit work as well as assurance obtained by other means. Including reviews by external bodies. The annual assurance opinion is an important part of the Council's assurance and governance framework and is specifically referenced in the Council's Annual Governance Statement.
- 4.1.3 The internal audit plan must be based on a documented risk assessment with input from senior managers and members (PSIAS section 2010.A1/2). The Chief Internal Auditor has based this plan on the most up to date risk registers for the Council, consideration of emerging issues and consultation with the Corporate Leadership Team.
- 4.1.4 The plan is prepared to ensure it is focused on high risk areas where Internal Audit can contribute to the effectiveness and efficiency of governance, risk management and control processes. In addition to the proposed annual plan a reserve list has been prepare which includes assignment for future consideration should resources become available. The proposed reserve list in included at [Appendix 2](#). An allocation of days could be provided through the contingency element of the Internal Audit Plan should a reserve assignment become higher priority in the year.
- 4.1.5 The plan is linked to the strategic risk register (detailed in [Appendix 3](#)) and the Council Plan.
- 4.1.6 Other areas of consideration include external audit reports, Audit Scotland national reports, cumulative knowledge and experience of risks and prior year findings. A summary of the audit approach is provided in Exhibit 1.

#### *Exhibit 1 – Internal Audit planning framework*



## 4.2 **Internal Audit Plan 2022/23**

4.2.1 **Categories of Internal Audit Work:** the audit plan is split into eight key areas of audit work:

- (i) **Key Corporate Systems:** systems audits are carried out to ensure expected controls are embedded within the system and are operating effectively.
- (ii) **Governance/Best Value:** best value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes. Key areas of focus for the 2022/23 internal audit plan include: transformation and the Ayrshire Growth Deal.
- (iii) **ICT Auditing:** this area was first added as a category to the audit plan in 2020/21. This signifies the importance of developing more ICT audit work and recognising the increasing controls which are embedded within systems and technology across the organisation. As well as this specific category, ICT audit testing will also be used in other areas of the plan (e.g. using computer assisted audit techniques to perform continuous auditing and performing logical access testing when reviewing other systems).
- (iv) **Directorates/Other Systems:** the internal audit plan takes account of the council's risk assessment process and includes a review of the strategic and directorate risk registers as well as the audit universe (a list of all auditable entities within the organisation). This resulted in a number of specific areas being identified for inclusion in this section of the plan, which recognises that internal control arrangements are operating in all services within the Council.
- (v) **Regularity:** these audits are used to determine the extent to which Council and departmental policies and procedures are being followed. Continuous auditing is used to analyse large amounts of data on an ongoing basis to ensure controls are operating as expected. This work makes up over half of the budgeted days in this area. Other areas within this category include the development and roll-out of self-assessment toolkits.
- (vi) **Follow Up Assignments:** Internal Audit recommendations due in the period April 2022 to March 2023 will be risk assessed and followed-up to ensure implementation of all high risk actions including testing to confirm all actions full implemented. Medium risk actions will be included in audit testing where time permits.
- (vii) **Other Entities:** the Chief Internal Auditor of the Council is also the Chief Internal Auditor of Ayrshire Valuation Joint Board and the South Ayrshire Integration Joint Board and the plan includes resources allocated to these entities. An allocation of time to conduct this audit work is included in the proposed annual Internal Audit plan but it is the responsibility of those bodies to approve the planned audit work for their respective areas. The Chief Internal Auditor takes assurance from work carried out by the audit team at East Ayrshire Council on Ayrshire Roads Alliance (ARA). The audit plan for ARA is not approved at the time of

writing; an update of the planned assignments will be provided to the Panel in due course.

- (viii) **Other Commitments:** days are allocated in this area to carry out work which cannot be specified at the start of the year, including investigations and provision of ad-hoc advice and guidance. A contingency budget is also included for unplanned commitments arising throughout the year. Activity, and duties which are internal to the service such as reporting, planning, and audit development are included under other commitments. A reciprocal arrangement is in place across most Scottish local authorities to independently review compliance with PSIAS; this year South Ayrshire Council will review East Renfrewshire Council.

### 4.3 Resources

- 4.3.1 The budgeted establishment for Internal Audit is 3.64 full time equivalents (FTE). All posts within the Internal Audit team are professionally qualified positions. Currently there is one member of the team on maternity leave who will return in September 2022 and one post is currently vacant. The 2022/23 audit plan has been produced taking into consideration the number of available working days per Internal Audit staff member. Steps are currently ongoing to fill the vacancy and a prudent estimate of six months has been allocated for this post. It should be noted that this can be subject to amendment during the year (e.g. should vacancy be filled quicker or for any periods of absence).

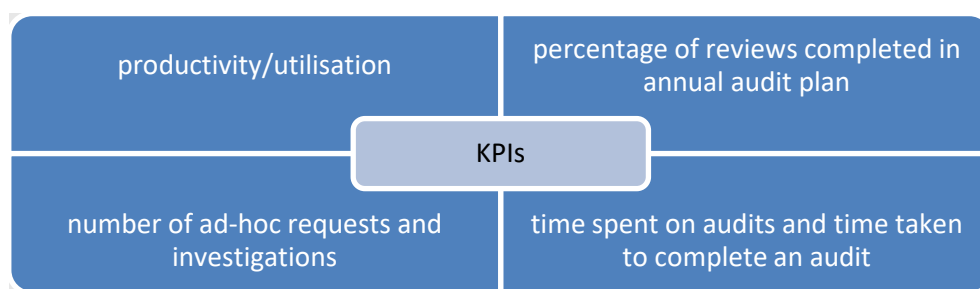
Category	2021/22	2022/23
Key Corporate Systems	30	30
Governance/Best Value	100	70
ICT Auditing	50	30
Directorates/Other Systems	165	90
Regularity	47	31
Follow Up Reviews	29	26
Other Entities	50	50
Other Commitments	125	170
<b>Total of planned days</b>	<b>596</b>	<b>497</b>

- 4.3.2 Key developments will continue to be monitored to assess the impact on the Council and determine whether the Internal Audit plan needs to be amended. Any future changes will be based on a full risk assessment during the year and will be presented to the Panel for approval.

### 4.4 Performance Indicators

- 4.4.1 Internal audit's performance is measured against a core suite of indicators. Performance against these indicators will be reported to Panel throughout the year. Indicators remain consistent with prior year – see Exhibit 2.

## Exhibit 2: Key performance indicators



### 4.5 **Developments and Training**

4.5.1 The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified, action is taken to address these. Networking opportunities are continually explored:

- the Chief Internal Auditor attends the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG);
- the Auditor attends CASG as well as the IDEA software user group for data analytics. Further development and training opportunities will be explored as they arise.

4.5.2 The service will undertake an annual self-assessment exercise, using the toolkit provided with the PSIAS. Any actions arising from this will be included in a revised Internal Audit action plan presented to Panel for approval around November 2022. South Ayrshire Council's five year independent external review of compliance with PSIAS will be completed by West Dunbarton Council's Chief Internal Auditor.

### 4.6 **Internal Audit Charter**

4.6.1 The Internal Audit Charter is a formal document which defines the internal audit activity's purpose, authority and responsibility. The Chief Internal Auditor reviews the charter on an annual basis and presents any changes to the Panel for approval.

4.6.2 The annual review was completed and the updated Internal Audit Charter approved by Panel at their meeting on 16 March 2022. Only minor changes were made to update the Council's Monitoring Officer's job title from Head of Regulatory Services to Head of Legal, HR and Regulatory Services (section 3) and the change to Internal Audit's reporting line from the Depute Chief Executive and Director – People to the Assistant Director – People. No further changes to the content of the Charter are proposed at this time. The revised Internal Audit Charter is attached at [Appendix 4](#).

## 5. **Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

6/



## **6. Financial Implications**

- 6.1 There are no financial implications arising from this report. Subject to filing the current vacancy, the proposed plan will be delivered through existing resources. Should the requirement to outsource services arise these will be met from underspends in employee costs arising through staff vacancies.

## **7. Human Resources Implications**

- 7.1 There has been a temporary increase in the part-time auditor's hours to 2 September 2022 to help address staff vacancies within the service.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

- 8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

- 8.2.1 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equalities Impact Assessment Scoping process, and there are no significant positive or negative equality impacts of agreeing the recommendations, therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached at [Appendix 5](#).

## **10. Sustainable Development Implications**

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.

- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**     [Public Sector Internal Audit Standards \(PSIAS\)](#)

[Internal Audit Charter – March 2022](#)

**Report to Audit and Governance Panel of 16 March 2022 –**  
[Proposed Internal Audit Plan Quarter 1 2022/23 \(including Annual Review of Internal Audit Charter\)](#)

**Person to Contact**     Cecilia McGhee, Chief Internal Auditor  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612432  
E-mail [Cecilia.McGhee2@south-ayrshire.gov.uk](mailto:Cecilia.McGhee2@south-ayrshire.gov.uk)

**Date:**    8 June 2022

PROPOSED INTERNAL AUDIT PLAN 2022/23

Appendix 1

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Total Estimated Days
<b>Key Corporate Systems</b>						
1	Main Accounting	Anti-Fraud Review - NDR Relief Review (Joint review between Internal Audit and Corporate Fraud)	4.4	4	15	
2	HR and Payroll	Conflict of Interests - Review of arrangements in place to ensure conflict of interests are declared. (consider using NFI report for sample checking).	1.2	3/10	15	<b>30</b>
<b>Governance/Best Value</b>						
3	Following the Public Pound	AGD Testing of internal governance arrangements	4.1	1	20	
4	Contract Audit	Review of arrangements in place around the use of HubSW	5.2	9	20	
5	Transformational Change	Follow up of the 2021/22 Change Management assignment - review of progress of the SAW Change Programme specifically in relation to transformational change projects and COVID recovery.	1/2.5/4.2	1	20	
6	National Fraud Initiative	Commencement of 2022/23 Data Matching exercise	-	4	10	<b>70</b>
<b>ICT Auditing</b>						
7	Council System and Data Access	Review process and controls over granting and removing access to Council System and Data.	6.2	11	30	<b>30</b>
<b>Directorates</b>						
8	Place	Void Repairs - Procedural Review	1.3/5.2	12	25	
9	H&SCP	Fostering & Adoption Payments	3.2	5	15	
10	People	Education Maintenance Allowance	2.3	5	5	
11	H&SCP	Review of progress against implementation of Care Inspectorate/Scottish Government Improvement Plans	3	5	15	

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Total Estimated Days
12	Place	Review of Climate Change Public Sector Report (CCPSR) (Sample Check return to confirm supporting documentation available to support the contents)	6.1	1/3	20	
13	Finance, Economic Dev, Regulatory	Review of COVID-19 business grants	4.4	4/9	10	<b>90</b>
<b>Regularity</b>						
14	Schools	Internal Control Self-Assessment Toolkit - Initial Rollout and Management of the Annual Process	2	4	6	
15	Social Work Locations	Internal Control Self-Assessment Toolkit - Management of the Annual Process	3	4	5	
16	Continuous auditing	Development of Continuous Auditing to other key risk areas including procurement and payroll	1.3	4	20	<b>31</b>
<b>Follow Up Reviews</b>						
17	Main accounting	Follow up of 2020/21 Findings	1	9	3	
18	Benefits	Benefits - Scottish Welfare Fund Findings	1.4	9	2	
19	Following the Public Pound	Ayrshire Growth Deal	4.1	9	4	
20	ICT Auditing	PCI DSS	6.2	11	3	
22	Contract Audit	Capital contract	5.2	9	4	
22	Directorate and other Systems	Controls around Hall letting Procedure	2.4/6.2	4	2	
23	Directorate and other Systems	Controls around fuel systems	6.1	4	4	
24	Directorate and other Systems	Carefirst	3	4	2	
25	Regularity	Museums Stores	5.4	4	2	<b>26</b>
<b>Other Entities</b>						
26	AVJB	To be approved by AVJB	-	-	25	
27	IJB	To be approved by IJB	-	-	25	<b>50</b>
<b>Other</b>						
28	Investigations	Allowance for investigations of irregularities.	-	4	20	

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Total Estimated Days
29	Advice and Guidance	Client requests, advice and consultancy - including participation on working groups	-	-	15	
30	Contingency	Contingency budget for unplanned commitments arising during the year	-	-	30	
31	Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2021/22	-	-	50	
32	Management and Audit development	Internal Audit planning, annual reporting, and quarterly reporting	-	-	35	
33	EQA2	South Ayrshire Council independent review of Renfrewshire Council's compliance with PSIAS	-	-	10	
34	QAIP	Annual self-assessment of compliance with PSIAS	-	-	10	<b>170</b>
<b>TOTAL</b>						<b>497</b>

## PROPOSE RESERVE LIST 2022/23

<b>Audit Area</b>	<b>Assignment</b>		<b>Estimated Days</b>
Governance and Best Value	Contract Audit	HSCP Provider Organisations review of contract award and monitoring process	20
Governance and Best Value	Contract Audit	Procurement of PPE Contract - Follow Up	2
Governance and Best Value	Following the public Pound	Participatory budgeting - Compliance with new grants process	10
Directorate and other Systems	Place	House Let - review of Housing Let process. Including consideration of anti-fraud controls	20
Directorate and other Systems	Place	Controls around management of school crossing patrollers	10
Directorate and other Systems	Place	Implementation of new communications strategy - Follow Up Review	2
Directorate and other Systems	People	Clothing and Footwear Grants	10
Key Corporate System	Place	Rent Accounting Follow Up	2
Key Corporate System	Organisational Development	Workforce Planning	20
Key Corporate System	Cash Income	Review of Cash Collection Arrangements	5
Key Corporate System	Benefits	Universal Credit advice and guidance	5

**LINKS BETWEEN STRATEGIC RISK REGISTER  
(NOVEMBER 2021) AND 2022/23 INTERNAL  
AUDIT PLAN**

<b>Risk No</b>	<b>Risk Title</b>	<b>2022/23 Assignment</b>
1	Decision making and governance	Delivering Good Governance Framework considered for annual report and annual assurance statement, Ayrshire Growth Deal and Transformational Change.
2	External factors including contingency planning	Review of Climate Change Public Sector Report (CCPSR)
3	Strategic planning – recovery and renew	Transformational Change
4	Integrity	Follow ups reviews, allocation of time in plan for investigations and Anti-Fraud Review - NDR Review (Joint review between Internal Audit and Corporate Fraud). Participation in NFI exercise, Self-Assessment, Continuous Auditing and Review of COVID-19 business grants
5	Child and Adult Protection	Fostering & Adoption; follow up of CareFirst; Review of progress against implementation of Care Inspectorate/Scottish Government Improvement Plans
6	Public and Employee Protection	-
7	Sustainable Development and Climate Change	Climate Change Public Sector Report (CCPSR) (Sample Check return to confirm supporting documentation available to support the contents)
8	Ground Maintenance - Ash Tree Die Back	-
9	Financial Constraints	Follow up of key corporate systems and contract audit, Void Property (Council Houses), Review of COVID-19 business grants
10	Workforce Planning	Workforce planning (included on reserve list)
11	ICT – Digital Resilience, Protection and Capability	Follow Up of ICT Audits, Council System and Data Access

## South Ayrshire Council Internal Audit Charter

### 1. Introduction

Under the Local Authority Accounts (Scotland) Regulations 2014 paragraph 7(1), *A local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.*

South Ayrshire Council has adopted the Public Sector Internal Audit Standards (PSIAS), which defines internal auditing as:

*Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

PSIAS, effective from 1 April 2013 (updated April 2017), requires that the purpose, authority and responsibility of the Internal Audit activity must be formally defined in an Internal Audit Charter which is consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

The Standards and Code of Ethics are available via this link: [PSIAS](#).

### 2. Core Principles

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all principles should be present and operating effectively:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focussed
- Promotes organisational improvement.

The *Core Principles for the Professional Practice of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Definition of Internal Auditing* are mandatory.

### 3. Roles and Definitions

The PSIAS requires the Council to define its interpretation of the following generic terms for the purposes of internal audit activity:

- 'The Board' – the Audit and Governance Panel
- 'The Chief Audit Executive' – the Chief Internal Auditor
- 'Senior Management' – the Executive Leadership Team

Other roles laid out in the PSIAS are defined in South Ayrshire Council as:



- 'The Head of Paid Service' – Chief Executive
- 'The Monitoring Officer' – Head of Legal, HR and Regulatory Services
- 'The Chief Financial Officer' – Head of Finance and ICT

#### **4. Role of the Audit Committee**

The Audit and Governance Panel acts as the Council's audit committee. In that capacity it has the following responsibilities:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on Internal Audit performance relative to its plan and other matters; and
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations placed on the service.

#### **5. Role of Senior Management**

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance.

Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so.

#### **6. Mission of Internal Audit**

To enhance and protect organisational value, by providing risk-based and objective assurance, advice and insight.

#### **7. Authority of Internal Audit**

The authority of Internal Audit is contained in the Financial Regulations of the Council (updated December 2018) and Internal Audit reports administratively to the Depute Chief Executive and Director – People, and in line with PSIAS reports functionally to the Audit and Governance Panel.

Officers of Internal Audit have authority per the Financial Regulations, on production of identification, to:

- enter at all reasonable times any Council premises or land;
- have unrestricted access to all records, personnel, assets, documents and correspondence relating to any financial or other transaction of the Council;
- have access to all IT hardware/software running systems on behalf of South Ayrshire Council, including hardware/software owned by third party service providers;
- require and receive such explanations as are necessary concerning any matter under examination; and
- require any employee of the Council to produce cash, stores or any other Council property under his/her control.

#### **8. Position of Internal Audit**

Internal Audit is an independent review activity. It is not an extension of, or a substitute for, the functions of line management. Internal Audit must be independent and therefore remain free from undue influence or other pressures affecting its actions and reporting and to that end:

- Internal Audit has a direct reporting line to the Assistant Director – People and functionally to the Council’s Audit and Governance Panel in its role as the Council’s audit committee.
- the Chief Internal Auditor has unfettered access to the Chief Executive and Executive Leadership Team;
- the Chief Internal Auditor meets regularly with the Chair of the audit committee;
- the Chief Internal Auditor attends all audit committee meetings; and
- all audit reports are issued directly by, and in the name of, the Chief Internal Auditor.

## **9. Responsibilities and Objectives of Internal Audit**

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The main objectives of Internal Audit are:

- Examine, evaluate and report on the adequacy of internal controls as a contribution to the efficient, effective and economic use of resources;
- Follow up, on a sample basis, the implementation of audit action points;
- Maintain independence and integrity to permit the proper performance of the audit function;
- Prepare an annual evidence based opinion on the adequacy of the Council’s internal control systems;
- Assist officers and members of the authority in the effective discharge of their responsibilities including the Section 95 Officer responsible for ensuring the proper administration of the authority’s financial affairs; and
- To support the Chief Executive in discharging his/her overall responsibilities as Head of Paid Service.

The Chief Internal Auditor’s annual report is presented to the Audit and Governance Panel and is used to support the Council’s Annual Governance Statement.

## **10. Independence and Objectivity**

Internal Audit is completely independent of all financial systems operating within the Council. Internal Audit will determine its priorities with those charged with governance.

Senior management is responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services. Line management is responsible for maintaining internal control, including the maintenance of proper accounting records and other management information suitable for running the affairs of the Council.

Internal Audit will not be responsible for the development or implementation of any activity which it would normally review. Staff of Internal Audit will not assume responsibility for the design, installation, operation or control of any procedures within directorates. Internal Audit can however advise on the internal control implications of any proposed systems changes, including new systems being introduced. Internal Audit should be informed by management of all proposals for new systems and major alterations to current systems. Internal Audit will work with relevant managers to ensure that appropriate mechanisms are incorporated to minimise control risks.

The internal audit team will ensure that independence and objectivity are maintained in line with the PSIAS including where non-audit work is undertaken. Internal auditors will have no operational responsibilities. Internal Auditors are required to complete an annual Declaration of Interest and an objectivity register is in place to ensure an accurate and up to date register of all potential conflicts is maintained.

Internal auditors will treat as confidential the information they receive in carrying out their duties. There must not be any unauthorised disclosure of information unless there is a legal or professional

requirement to do so. Confidential information gained in the course of an audit will not be used to effect personal gain.

## **11. Planning**

Internal Audit's primary task will be to review the systems of internal control operating throughout the Council. The responsibility for the production and execution of the risk based audit plan and subsequent audit activities rests with the Chief Internal Auditor.

The Chief Internal Auditor will:

- prepare an annual audit plan which will be regarded as flexible and will be continually amended and updated in the light of experience gained from audit work carried out, emerging risks to the Council and the changing environment in which audit work is carried out.
- agree the annual plan with the Chief Executive;
- seek elected members approval of the plan via the Audit and Governance Panel in its role as the Council's Audit Committee; and
- present a report each year to members outlining the actual audit work undertaken in the previous financial year and also giving an overall opinion on the adequacy of the systems and controls operated by the Council. This will include a statement confirming internal audit's compliance with PSIAS.

## **12. Arrangements for Appropriate Resourcing**

As stated in the CIPFA Application Note, *"No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidenced-based opinion. Local factors within each organisation will determine this minimum level of coverage"*.

The annual audit plan is based on the number of audit resources available for the year with the objective of giving an evidence based opinion. High risks identified during the audit planning process are accommodated. Different areas of key financial systems are audited on an annual basis scheduled over a multi-annual cycle to ensure coverage of the whole systems.

If during the risk assessment at the planning stage a shortfall in resources available is identified, the Chief Internal Auditor will advise the Chief Executive followed by the Executive Leadership Team and Audit and Governance Panel as required to assess the associated risks or to recommend additional resources are identified.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with the Corporate Leadership Team.

Should circumstances arise, during the year, that resources fall or appear to be falling below the minimum level required to provide an annual evidence based opinion the Chief Internal Auditor will advise the Chief Executive, the Executive Leadership Team and the Audit and Governance Panel.

## **13. Assurance Services**

Internal Audit work covers all Council activities, systems and processes and includes (but is not limited to):

- examining and evaluating the adequacy of the Council's system of internal control, including those pertaining to the deterrence, detection and investigation of fraudulent or illegal acts;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;

- reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- appraising the economy and efficiency with which resources are employed;
- reviewing the identification and assessment of risk by management;
- reviewing aspects of the control environment affected by significant changes to the organisation's risk environment;
- reviewing the Council's procedures and activities in relation to best value;
- co-ordinating Internal Audit activities with the work of the external auditors and assisting the external auditors as required;
- recommending, in consultation with management, appropriate solutions to identified systems weaknesses;
- ensuring management has confirmed action has been taken to implement audit recommendations; and
- in line with the principles of Following the Public Pound Internal Audit shall review, appraise and report on all services and other activities for which the Council is responsible or accountable, whether delivered directly or by third parties through contracts, partnerships or other arrangements.

#### **14. Consultancy Services**

The PSIAS defines consulting services as follows:

*“Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training”.*

Consultancy and advice services, including work on fraud related matters may be undertaken from time to time at the request of senior management. A provision is included in the annual audit plan for this type of work.

When undertaking such work auditors will not take on management responsibility for the project. Ultimate responsibility for the decisions taken within the area under review remains with senior management. Acceptance of any assignment will be dependent on available resources, the nature of the assignment and any potential impact on future assurances. The objectivity of individual audit staff will be managed in assigning any subsequent assurance work. Auditors involved in consultancy work will not audit that area for a minimum of one year after the completion of the consultancy work.

Significant consultancy assignments will be reported separately to the audit committee. Any significant consulting exercise, not included in the annual audit plan, should have the approval of the audit committee. Significant is defined as any single assignment equivalent to 5% of annual planned days.

#### **15. Non-Audit Work – Counter Fraud**

Internal audit does not have responsibility for the prevention or detection of fraud and corruption. Managing the risk of fraud and corruption is the responsibility of management. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption.

The Corporate Fraud Team who sits within the remit of the Chief Internal Auditor will assist management in the effective discharge of this responsibility and will also undertake proactive work to identify potentially fraudulent activity.

Any evidence or reasonable suspicion of irregularities should be dealt with in accordance with the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy. It is the responsibility of each member of the Corporate Leadership Team to promote awareness of and adherence to these procedures.

In accordance with the Council's Special Investigations Procedure and Anti-Fraud and Anti-Bribery Strategy the Chief Internal Auditor will be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

The Corporate Fraud Team activity will be reported to the Audit and Governance Panel twice yearly separately from the Internal Audit progress against plan.

## **16. Other Parties Outwith the Council**

The Chief Internal Auditor is responsible for presenting an annual statement on the adequacy and effectiveness of the internal control system of the Ayrshire Valuation Joint Board (AVJB). The Chief Internal Auditor has also been appointed as the Chief Internal Auditor of the South Ayrshire Integration Joint Board (IJB).

The spirit of this Internal Audit Charter will also apply to the IJB and AVJB.

## **17. Quality Assurance and Improvement Programme (QAIP)**

The Chief Internal Auditor will develop and maintain a Quality Assurance and Improvement Programme that covers all aspects of the internal audit activity. This includes both internal and external assessments.

All audit work is subject to in-house quality control procedures whereby each audit review is subject to peer review. The audit service will undertake an annual self-assessment using the PSIAS checklist.

An external assessment will be carried out at least once every five years by a suitably qualified, independent assessor and may be a full assessment or validation of a self-assessment in line with the PSIAS. The results of these assessments will be communicated to the Audit and Governance Panel with exception reporting of outstanding action points thereafter.

The feedback of the Chief Executive and the Chair of the Audit and Governance Panel will be sought during the performance appraisal of the Chief Internal Auditor.

## **18. Approval**

This Charter was submitted to, and approved by, the Audit and Governance Panel, in its role as the Council's audit committee, on 16 March 2022. It will be subject to annual review and update as required. All amendments will be subject to approval by the Audit and Governance Panel.

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Proposed Internal Audit Plan 2022/23</b>
Lead Officer (Name/Position/Email)	Cecilia McGhee, Chief Internal Auditor - <a href="mailto:Cecilia.McGhee2@south-ayrshire.gov.uk">Cecilia.McGhee2@south-ayrshire.gov.uk</a>

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p><del>YES</del> <b>NO</b>      <input checked="" type="checkbox"/></p>
<p><b>Rationale for decision:</b> This report seeks approval of Members for the internal audit plan for 2021/22. Their decision on this has no specific equality implications.</p>	
<p><b>Signed :</b>      Cecilia McGhee      <b>Chief Internal Auditor</b></p> <p><b>Date:</b>            13 May 2022</p>	



**South Ayrshire Council**  
**Report by Chief Executive**  
**to Audit and Governance Panel**  
**of 22 June 2022**

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**Subject:     Audit Report**

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**1.     Purpose**

1.1     The purpose of this report is to update the Panel on progress towards addressing the recommendations of the fact finding audit undertaken by Audit Glasgow (the Internal Audit team from Glasgow City Council).

**2.     Recommendation**

**2.1     It is recommended that the Panel scrutinises the contents of this report.**

**3.     Background**

3.1     At its meeting on 23 February 2022, the Audit and Governance Panel agreed a number of actions to address the recommendations of the fact finding audit.

**4.     Proposals**

4.1     An update on progress towards implementing the actions approved by the Audit and Governance Panel is provided in [Appendix 1](#) for Members' review.

**5.     Legal and Procurement Implications**

5.1     There are no legal implications arising from this report.

5.2     There are no procurement implications arising from this report.

**6.     Financial Implications**

6.1     Not applicable.

**7.     Human Resources Implications**

7.1     Not applicable.

**8.     Risk**

**8.1     *Risk Implications of Adopting the Recommendations***

8.1.1     There are no risks associated with adopting the recommendations.

**8.2     *Risk Implications of Rejecting the Recommendations***



- 8.2.1 If the recommendations are rejected then there is a risk that elected members may be expected to take decisions without being given all required information and advice.

## **9. Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

## **10. Sustainable Development Implications**

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitments 1, 4 and 5 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness; South Ayrshire Works/ Make the most of the local economy; and Stand up for South Ayrshire/ Increase the profile and reputation of South Ayrshire and the Council.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Martin Dowe Portfolio Holder for Corporate and Strategic, and Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**      **Report to Audit and Governance Panel of 23 February 2022 – Audit Report (Members only)**

**Person to Contact**      **Eileen Howat, Chief Executive**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612612**  
**E-mail [eileen.howat@south-ayrshire.gov.uk](mailto:eileen.howat@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

### Actions approved by Audit and Governance Panel of 23 February 2022

Action	Responsibility	Due Date	Progress
<p>A review of the Policy for the Acquisition and Disposal of Land and Buildings to be undertaken by Director of Place at an early date. The current policy advises that <i>‘ In recognition of the new guidance and other requirements for land transfers and acquisitions for Housing, a separate complementary policy on HRA land acquisition and disposal is being developed’</i> It would be appropriate that both matters are dealt with in this review</p>	Director - Place	June 2022	Complete - updated Policy will be proposed at June Council
<p>A review of the Scottish Government guidance on transfers between General Services and HRA is undertaken and a checklist is developed. This should include clarity on the ability of General Services to subsidise the HRA</p>	Director – Place, with support from Head of Finance and ICT and Head of Legal, HR and Regulatory Services	June 2022	The checklist is included within the draft revised policy
<p>Officers are reminded of the requirement to provide Members with all information required to make a decision</p>	Chief Executive	February 2022	Complete – email issued to Corporate Leadership Team and Service Leads on 28 February 2022
<p>Review and reinforcement of guidance for preparation of papers (including clearing process)</p>	Chief Executive	May 2022	Final version of guidance and timetable has been issued
<p>A review is undertaken of valuations applied in other land transfers</p>	Chief Internal Auditor	June 2022	In progress – review of all Panel papers completed and transfers from 2016 to date identified. Currently obtaining information/ documentation from services to support the valuation applied. A briefing note detailing findings will be prepared by 30 June 2022

<b>Action</b>	<b>Responsibility</b>	<b>Due Date</b>	<b>Progress</b>
An updated report on transfer of site at Mainholm to HRA is presented to Elected Members	Director - Place	June 2022	Updated report will be proposed to Council following approval of the new policy (due to recess this will be August 2022). Report will be co-proposed by People/ Place Chief Officers as per guidance

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	Audit Report
Lead Officer (Name/Position/Email)	Eileen Howat, Chief Executive – eileen.howat@south-ayrshire.gov.uk

### 2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

**5. Summary Assessment**

<p><b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b>)</p>	<p>— <b>YES</b></p> <p><b>NO</b></p>
<p><b>Rationale for decision:</b></p> <p><b>This report provides an update on progress towards addressing the recommendations of the fact finding audit undertaken by Audit Glasgow</b></p>	
<p><b>Signed :</b> Eileen Howat <b>Chief Executive</b></p> <p><b>Date:</b> 13 May 2022</p>	

## South Ayrshire Council

**Report by Head of Legal, HR and Regulatory Services  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject: Delivering Good Governance – 2021/22 Assessment**

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**1. Purpose**

- 1.1 The purpose of this report is to invite Members to review the 2021/22 year-end assessment against the Council's Delivering Good Governance Framework.

**2. Recommendation**

- 2.1 It is recommended that the Panel reviews and agrees the 2021/22 year-end assessment as set out in Appendix 1 to this report.**

**3. Background**

- 3.1 The Council's Delivering Good Governance (DGG) Framework is in place to verify that effective governance arrangements are in operation across the Council. The Council's DGG Framework is reviewed annually to ensure that these governance arrangements are up to date and relevant, and that they comply with the 7 core principles and 21 sub-principles of the [CIPFA Delivering Good Governance in Local Government Framework 2016](#). The CIPFA Delivering Good Governance Framework was introduced to assist authorities in reviewing and accounting for their own unique approach to delivering good governance. The overall aim being to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making, and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 3.2 The CIPFA Delivering Good Governance Framework also applies to the Council's Annual Governance Statement prepared for each financial year which forms part of the Council's Annual Accounts.
- 3.3 Since the 2020/21 year-end assessment was reviewed and agreed by Audit and Governance Panel Members on 2 June 2021 work has progressed to address the associated improvement actions.

**4. Proposals**




- 4.1 This report provides updates on those improvement actions set within the context of the principles of the Framework in line with CIPFA recommendations – see Appendix 2; provides a year end assessment on the effectiveness of the updated Framework – see Appendix 1; and identifies a prioritised set of improvement actions to further strengthen the Council's governance arrangements – see Appendix 3.



4.2 Appendix 2 details progress against the improvement actions agreed for 2021-22. It shows that:


- 4 are complete;
- 3 are progressing on target (some timescales having previously been extended beyond the year-end); and
- 1 hasn't progressed as planned (Covid restrictions have resulted in timescales slipping on the development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process. A solution has now been identified and this is programmed to be implemented later this year).














4.3 Where slippage has occurred which is material to the effectiveness of the governance arrangements, then this has been factored into year-end assessment presented at Appendix 1. Similarly, if any of the continuing or outstanding actions are regarded as being significant in the context of the framework, then these have been included within the Improvement Plan for 2022-23 in Appendix 3.

4.4 Appendix 1 reflects any developments to the Framework that occurred between April 2021 and the year-end sign off as at 31 March 2022. It also includes an assessment of the effectiveness for each of the 21 sub-principles by the lead officers identified for the aspects that they have responsibility for / knowledge of on the following three-point scale:

	Effective		Effective but scope for improvement		Requiring improvement
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The actions that have resulted in the sub-principles below being marked as 'effective but scope for improvement' () during 2021/22 will be prioritised as part of the current year's list of improvement actions (Appendix 3). The improvement actions on this list will be monitored, with a view to them becoming 'effective' () on their agreed completion date, and will be reported on at 31 March 2023.

<b>Delivering Good Governance 2021-22 Year End Assessment - Summary</b>	
Behaving with integrity	
Demonstrating strong commitment to ethical values	
Respecting the rule of law	
Openness	
Engaging comprehensively with institutional stakeholders	
Engaging with individual citizens and service users effectively	
Defining outcomes	
Sustainable economic, social and environmental benefits	

<b>Delivering Good Governance 2021-22 Year End Assessment - Summary</b>	
Determining actions	
Planning actions	
Optimising achievement of intended outcomes	
Developing the Council's capacity	
Developing the capability of the Council's leadership	
Managing risk	
Managing performance	
Robust internal control	
Managing data	
Strong public financial management	
Implementing good practice in transparency	
Implementing good practices in reporting	
Assurance and effective accountability	

4.5 Based on this assessment the lead officers were then asked to identify any specific actions they felt would be desirable to improve the current arrangements and any actions they felt were essential to improve the current arrangements. The resultant actions were then reviewed and prioritised by the Corporate Leadership Team, to produce a rationalised and proportionate set of Improvement Actions for 2022-23, as set out in Appendix 3.

4.6 A summary version of the framework is available on the [Council's website](#), with hyperlinks to allow Members, officers and the public to access all of the supporting detail of the Council's current governance arrangements.

## **5. Legal and Procurement Implications**

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Not applicable.

## **7. Human Resources Implications**

7.1 Not applicable.

**8/**



## 8. Risk

### 8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

### 8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

## 9. Equalities

9.1 The proposals in this report allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.

## 10. Sustainable Development Implications

10.1 ***Considering Strategic Environmental Assessment (SEA)*** This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## 11. Options Appraisal

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## 12. Link to Council Plan

12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## 13. Results of Consultation

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.



**Background Papers** **Report to Audit and Governance Panel of 2 June 2021 – [Delivering Good Governance – 2020/21 Assessment](#)**




**Person to Contact** **Catriona Caves, Head of Legal, HR and Regulatory Services  
County Buildings, Wellington Square, Ayr, KA7 1DR  
Phone 01292 612556  
E-mail [catriona.caves@south-ayrshire.gov.uk](mailto:catriona.caves@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

## Appendix 1: DGG 2021-2022 Year End Assessment


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




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Behaving with integrity</b>		2021-22 Year End Assessment: 
<p>1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (Nolan Principles).</p> <p>3. Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>4. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<ul style="list-style-type: none"> <li>• Both our <a href="#">Councillors' Code of Conduct</a> and our <a href="#">Code of Conduct for Employees</a> identify that behaving with integrity is a key principle that must be followed. The principles within the Councillors' Code are explained as part of the induction training for all new councillors, the Employees Code is issued with all contracts of employment for adherence/acceptance</li> <li>• We maintain a register of interests for each councillor published on the Council's website accessible by <a href="#">Councillor</a> together with a register of the gifts and hospitality received by councillors.</li> <li>• Employees declare any private interests or memberships that might cause a conflict of interest to their line manager. Any gifts or hospitality offered to them (other than those of token value) are recorded in directorate registers.</li> <li>• In keeping with our <a href="#">Standing Orders Relating to Meetings</a>, Panel and Council Meetings are conducted with respect. Declarations of interest are <a href="#">made and minuted</a> at the start of each of these meetings, to avoid any conflict of interest arising during the conduct of those meetings.</li> </ul>	<p>SL Democratic Governance</p> <p>SL HR and Payroll</p>
<b>Demonstrating strong commitment to ethical values</b>		2021-22 Year End Assessment: 
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>8. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Audit and Governance Panel</a> promotes and maintains high standards of conduct by all Councillors, including consideration of the management and operation of ethical standards as set out in the Councillor's Code of Conduct. It recommends to Council any additional protocols, training or support required by Councillors in relation to ethical standards or other matters.</li> <li>• We demonstrate through the pursuit of our <a href="#">Equality and Diversity Strategy</a> and in setting and delivering our <a href="#">Equality Outcomes</a> that we are fully committed to the principles of fairness, equality and human rights. The <a href="#">Equality Outcomes and Mainstreaming Progress Report</a> sets out how equalities have been further mainstreamed through our organisation. We apply these principles in all we do as a community leader, service provider and employer.</li> <li>• Our <a href="#">Procurement Strategy</a> identifies that where ethically traded goods and services are available, we will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities.</li> </ul>	<p>SL Democratic Governance</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Procurement</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2021-2022 Year End Assessment




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

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Respecting the rule of law</b>		
	<b>2021-22 Year End Assessment:</b> 	
<p>9. Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>10. Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>11. Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>12. Dealing with breaches of legal and regulatory provisions effectively.</p> <p>13. Ensuring corruption and misuse of power are dealt with effectively.</p>	<ul style="list-style-type: none"> <li>• All <a href="#">reports to Panel and Council</a> are required to confirm that the recommendations they contain are consistent with legal requirements and reflect appropriate advice from our Legal Services.</li> <li>• The Head of Legal, HR and Regulatory Services, acting as Monitoring Officer, ensures the Council observes its <a href="#">Scheme of Delegation</a>, its <a href="#">Standing Orders</a> and operates legally. This includes reporting on the legality of matters, mal-administration, and the conduct of councillors and officers.</li> <li>• Members on decision making panels such as the Regulatory Panel, Local Review Body and Licensing Board receive training and briefings on the legal aspects of their decision making. Induction training will be provided to all Members after the May 2022 Election.</li> <li>• Our <a href="#">Anti-Fraud and Anti-Bribery Strategy</a> outlines the measures taken by the Council to protect itself against malpractice through either fraud or corrupt practice.</li> <li>• Our <a href="#">Procedure for reporting concerns at work</a> outlines how employees can report what they believe to be serious wrongdoing in the Council or information regarding malpractice, such that matters can be expedited thoroughly, discreetly and in a confidential way.</li> </ul>	<p>SL Legal and Licensing</p> <p>SL Democratic Governance</p> <p>SL HR and Payroll</p>


<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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**Appendix 1: DGG 2021-22 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Openness</b>		2021-22 Year End Assessment: 
<p>14. Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>15. Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>16. Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>17. Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Communications Strategy</a> ensures that information about what we do, why we do it and how we do it is provided to our residents, customers, tenants, businesses, Councillors, staff, partners and other stakeholders in the most effective way. The strategy underlines the responsibility that each Elected Member, manager and officer has in delivering this.</li> <li>• In line with Scottish Government Guidance, all Panel and Council meetings have taken place remotely due to Covid-19. Legislation temporarily revoked the right of the public to attend meetings on public health grounds during the pandemic. Remote and hybrid Panel and Council meetings have been <a href="#">live webcast</a> since September 2021.</li> <li>• <a href="#">Minutes are taken of all Panel and Council Meetings</a>, showing a clear record of how decisions were reached. These are published on the Council's website along with <a href="#">Press Releases</a> which cover all the major decisions that are taken by the Council.</li> <li>• Our Panel report template enables decisions to be communicated accurately and timeously by our Communications Team in line with Panel meeting dates.</li> <li>• All Panel and Council reports set out the 'results of consultation' providing an outline of how their recommendations have been informed by consultation and engagement.</li> </ul>	<p align="center">SL Organisational Development and Customer Services</p> <p align="center">SL Democratic Governance</p>
<b>Engaging comprehensively with institutional stakeholders (other organisations)</b>		2021-22 Year End Assessment: 
<p>18. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>19. Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> <li>• The Council engages with its main 'institutional stakeholders' through the <a href="#">Community Planning Partnership</a>, which is underpinned by a Community Planning Executive, comprising the key partners responsible for facilitating effective community planning as defined in community empowerment legislation. Governance arrangements are in place to ensure the Community Planning Partnership is focused on its agreed priorities. The annual <a href="#">Local Outcomes Improvement Plan</a> progress report provides further information on joint progress against outcomes.</li> <li>• Our partnerships are underpinned by formal operating agreements, such as with NHS Ayrshire &amp; Arran for our <a href="#">Health and Social Care Partnership</a> (governed through the <a href="#">Integrated Joint Board</a>); with East Ayrshire Council for the <a href="#">Ayrshire Roads Alliance</a> (governed by the <a href="#">Ayrshire Shared Joint Services Committee</a>) and with South Carrick Community Leisure for the <a href="#">Quayzone in Girvan</a> (overseen by our <a href="#">Partnerships Panel</a>).</li> </ul>	<p align="center">SL Policy, Performance and Community Planning</p> <p align="center">Head of Legal, HR and Regulatory Services</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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**Appendix 1: DGG 2021-22 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Engaging with individual citizens and service users effectively</b>	2021-22 Year End Assessment: 	
<p>21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>22. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>23. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>24. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>26. Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<ul style="list-style-type: none"> <li>• The Council has a <a href="#">Community Engagement Strategy</a> that provides direction for services over how to conduct effective consultation.</li> <li>• <a href="#">Six Locality Planning Groups</a> are in place to help inform the thinking and approach of the Health and Social Care Partnership. Due to Covid-19 these Groups have met through online Zoom meetings</li> <li>• <a href="#">Participatory Budgeting (Decision Days)</a> give residents the opportunity to decide where public money is spent in their communities.</li> <li>• We use the <a href="#">South Ayrshire 1000 Citizens' Panel</a> to get the views of South Ayrshire residents, their feedback helping to improve and develop public services.</li> <li>• Services now have access to Microsoft 365 which gives them the ability to create their own surveys and engage with the public using the M365 Forms application via the Council's <a href="#">consultations</a> web page.</li> <li>• We use our website to publicise <a href="#">current consultation exercises</a> and to report back on their findings e.g. <a href="#">New Ayr Leisure Centre - Pre-application Consultation</a>.</li> <li>• <a href="#">Equality Impact Scoping and Assessments</a> including The Fairer Scotland Duty are prepared for each Panel and Council report, to give clarity over the impact that the recommended decision will have, including details of what involvement, engagement or consultation took place.</li> <li>• A digital community engagement platform has been developed with the assistance of CoSLA which will allow open, transparent and democratic engagement between the community and the Council. This platform is expected to come online during 2022/23.</li> </ul>	<p>SL CLD and Employability and Skills</p> <p>Health and Social Care Partnership Facilitator</p> <p>SL Policy, Performance and Community Planning</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment

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



<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Defining outcomes</b>		<b>2021-22 Year End Assessment:</b> 
<p>27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</p> <p>28. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>30. Identifying and managing risks to the achievement of outcomes</p> <p>31. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>• Our vision is that we want to serve South Ayrshire 'by making a difference every day'</li> <li>• The refreshed <a href="#">Council Plan 2018-2022</a> reflects this vision, identifying 6 commitments to take this forward, together with 21 ambition statements, that draw together activities from a range of shared partnership and service activity, as reflected in key strategies such as the <a href="#">Children's Services Plan</a>. These Plans are underpinned by Service, Improvement and Recovery Plans.</li> <li>• These plans help to inform the resourcing requirements of the Council and at the same time should reflect the realities and constraints around resource availability. We have been working during 2021-22 to improve ties between our plans and our resource strategies, covering <a href="#">Finance</a>, our <a href="#">Workforce</a> and <a href="#">Asset Management</a>. The Council's Land and Property Asset Management Plan reflects the Council management structure, the Council Plan 2018-2022 and the approved policy on <a href="#">Community Asset Transfer</a>.</li> <li>• Our <a href="#">People Strategy</a> sets out how we will support employees to deliver the commitments of the council plan, and how we will implement the <a href="#">Employee Deal</a>.</li> <li>• Our <a href="#">Strategic Risk Register</a> helps us to manage the overarching elements of risk that are critical to the achievement of our desired outcomes, with risk management arrangements also in place at Directorate level.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>SL Corporate Accounting</p> <p>SL Organisational Development and Customer Services</p> <p>SL Asset Management and Community Asset Transfer</p> <p>SL Risk and Safety</p>
<b>Sustainable economic, social and environmental benefits</b>		<b>2021-22 Year End Assessment:</b> 
<p>32. Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>35. Ensuring fair access to services</p>	<ul style="list-style-type: none"> <li>• Currently all Panel and Council reports are required to consider 'Sustainable Development and Climate Change Implications' to highlight the environmental impact of proposed policies and plans. This is complimented by any accessibility, health, well-being and deprivation impacts being spelt out through the Equality Impact Assessment process.</li> <li>• Work is ongoing over how the Council approaches the Fairer Scotland Duty, which came into force in April 2018. This places a legal responsibility on the Council to actively consider ('pay due regard' to) how it can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions. Training on Fairer Scotland Duty was delivered by the Improvement Service to the Corporate Leadership Team, Service Leads and Officers during 2021-2022.</li> <li>• The Council is committed to Inclusive Growth which is at the core of the <a href="#">Strategic Economic Plan: Vision 2030</a>. This is also demonstrated through progressing specific projects, service planning &amp; commitment to the emerging Regional Economic Strategy.</li> </ul>	<p>SL Democratic Services</p> <p>SL Neighbourhood Services</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Economy and Regeneration</p>




<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment


### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Determining actions</b>		2021-22 Year End Assessment: 
<p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> <li>All Panel and Council reports set out the details of any 'Options Appraisal' carried out together with the 'Results of Consultation'. An options appraisal is required to be undertaken where 'it aids the consideration and appraisal of a number of alternative courses of action to ensure that desired outcome can be achieved in the most economic, effective and efficient way possible; and it allows for new initiatives to be carefully appraised in relation to all potential costs and benefits and their financial sustainability before being approved by the Council/Panel'. Reports providing updates on the success of the Change Programme were delivered to Leadership Panel in <a href="#">October 2021</a> and <a href="#">February 2022</a>.</li> </ul>	<p>Assistant Director - Place</p> <p>SL Policy, Performance and Community Planning</p>
<b>Planning actions</b>		2021-22 Year End Assessment: 
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>39. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p> <p>41. Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p> <p>42. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</p> <p>43. Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>44. Preparing budgets in accordance with objectives, strategies and the medium term financial plan</p> <p>45. Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> <li>Our planning and control cycle is set out within the Council's refreshed <a href="#">Performance Management Framework</a> with a quarterly reporting schedule provides key dates for performance updates shared with Service Leads and includes targets for the LGBF outcomes.</li> <li>We maintain a <a href="#">suite of plans</a>, from <a href="#">Council Plan 2018-2022</a> &gt; Service, Improvement and Recovery Plans (these plans were adapted to incorporate a section on Covid recovery) &gt; Personal Development Review (PDR) to cascade the achievement of the Council's six commitments throughout the organisation.</li> <li>Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (<a href="#">Pentana</a>) with the contribution of the workforce towards their achievement being assessed through our <a href="#">PDR</a> process. It is managers' responsibility to ensure their staff achieve their objectives.</li> <li>Our <a href="#">PDR template</a> reflects our Purpose, Vision and Values and includes discussion on the <a href="#">Employee Deal</a> with each employee.</li> <li>How Good is our Council (HGIOC) remains our corporate evaluatory tool, with our approach to its use refreshed during 2019-20.</li> <li>Our <a href="#">annual budgeting exercise</a> is undertaken within the context of the <a href="#">Council Plan 2018-2022</a>. Throughout 2021/22 including the 2022/23 budget setting process, a continued focus has been the impact on resources of the Covid-19 pandemic.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>SL Organisational Development and Customer Services</p> <p>SL Corporate Accounting</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment

### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes



<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Optimising achievement of intended outcomes</b>		<b>2021-22 Year End Assessment:</b> 
<p>46. Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>48. Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p> <p>49. Ensuring the achievement of 'social value' through service planning and commissioning</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Financial Strategy 2020 to 2030</a> is key to ensuring the achievement of the Council's strategic objectives and is about making sure sufficient resources are available to support their delivery. It is likely to provide assistance in identifying where and when resources will become stretched and encourage the identification of a more prioritised approach to future planning, having regard to financial constraints. The Financial Strategy will be revised when the post Covid-19 public sector financial climate becomes sufficiently clear.</li> <li>• We are committed to maximising both the contractual and voluntary <a href="#">Community Benefits</a> from our procurement activities. Evidence of the increase in Community Benefit achieved is published in the Council's <a href="#">Annual Procurement Report</a>.</li> <li>• <a href="#">Commissioning Plans</a> are in place to deliver on the Health and Social Care Partnership's (HSCP) Adult Mental Health and Adult Learning Disability Strategies and the Adult and Older People Service Plan. The Learning Disability Strategy and Adult and Older People Service Plan were reviewed and refreshed during 2021/22 to tie in the HSCP Financial Plan to the <a href="#">HSCP Strategic Plan 2021 to 2031</a>. The Mental Health Strategy will be reviewed during 2022/23.</li> </ul>	<p>SL Corporate Accounting</p> <p>SL Procurement</p> <p>Head of Community Health and Care Services</p>




Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment

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

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Developing the Council's capacity</b>		<b>2021-22 Year End Assessment:</b> 
<p>50. Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness</p> <p>51. Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently</p> <p>52. Recognising the benefits of partnerships and collaborative working where added value can be achieved</p> <p>53. Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources</p>	<ul style="list-style-type: none"> <li>• The Council's <a href="#">Service Review process</a> was designed to systematically review the options for delivering services to ensure they represent best value. However, their outcomes were judged 'to be relatively operational rather than transformational. This may have been the result of the relatively rigid and robotic nature of the Service Review Framework, which encourages a process-driven, rather than transformational, approach'. 6-monthly reports were approved by Leadership Panel in <a href="#">October 2021</a> and <a href="#">February 2022</a> to ensure the appropriate level of governance is in place for the change programme.</li> <li>• Benchmarking activity includes use of the <a href="#">Local Government Benchmarking Framework</a> measures to help evaluate our performance, which are reported annually to Members.</li> <li>• A <a href="#">Corporate Workforce Plan</a> is in place to more fully align workforce planning with the Council's business strategies (the Council and Directorate Plans) and people strategies (such as recruitment and retention, staff development and training). A group has been set up to take <a href="#">workforce planning</a> forward and better align it to service planning.</li> <li>• Our <a href="#">succession planning</a> toolkit supports managers to carry out succession planning locally and links to the wider workforce planning resources available.</li> </ul>	<p>Assistant Director - Place</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Organisational Development and Customer Services</p>
<b>Developing the capability of the Council's leadership and other individuals</b>		<b>2021-22 Year End Assessment:</b> 
<p>54. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>55. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p> <p>56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	<ul style="list-style-type: none"> <li>• Role Profiles set out the generic responsibilities of all Members, together with specific ones for the Leader of the Council, Provost, Portfolio Holders and the Chairs of Standing Scrutiny Panels, Regulatory Panel and Other Panels.</li> <li>• Job descriptions are in place for the Chief Executive, Directors and senior officers.</li> <li>• The Council's <a href="#">Scheme of Delegation</a> is regularly updated, setting out what powers are exercised by Council, what are delegated to Panels and what are delegated to officers.</li> <li>• The Chief Executive is appraised by the Leader of the Council and other senior Members at the Chief Officers Appointments / Appraisal Panel.</li> <li>• Chief Officers are appraised against our Leadership Competency Framework.</li> </ul>	<p>SL Democratic Governance</p> <p>SL HR and Payroll</p> <p>SL Organisational Development and Customer Services</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment



### Core Principle E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it




Developing the capability of the Council’s leadership and other individuals (continued)	
<p>57. Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by ensuring:</p> <ul style="list-style-type: none"> <li>• access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• they have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and that they are able to update their knowledge on a continuing basis</li> <li>• personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> <p>58. Ensuring that there are structures in place to encourage public participation</p> <p>59. Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>60. Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>61. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<ul style="list-style-type: none"> <li>• A comprehensive induction programme was provided for Members in May / June 2017. A similar programme has been planned for May/June 2022, following the LG Election in May 2022.</li> <li>• An ongoing programme of Member Briefings provides updates and discussion on emerging issues / areas of interest, the programme being agreed by the Executive Leadership Team and the respective Portfolio Holders.</li> <li>• We have a suite of development and training opportunities for Members including CPD, briefings, 360 appraisal and psychometric I profiling.</li> <li>• New welcome pages have been developed as part of the <a href="#">Future Operating Model</a> to support new employees who are joining on different workstyles e.g. homeworking.</li> <li>• Our Leadership Engagement Events which encourage our senior officers and managers to 4<sup>th</sup> tier level to consider the impact that their individual leadership behaviours and style have on their teams and the organisation as a whole. A range of events aimed at Service Leads took place in 2021/22 to help establish our Future Operating Model.</li> <li>• All our senior officers and managers have Personal Development Plans arising from our Performance and Development Review process.</li> <li>• The Council’s <a href="#">Community Engagement Strategy</a> sets out the role of Community Empowerment in the active involvement of people and communities within South Ayrshire in the work of the Council.</li> <li>• Training and awareness sessions on community engagement were delivered by the Consultation Institute to the Council’s Leadership Team and Elected Members in 2021/22</li> <li>• Our workforce participate in <a href="#">Performance Development Review</a> process, which undertaken over a 3 year cycle, ties into the values of the <a href="#">South Ayrshire Way</a> and generates a Personal Development Plan which managers are responsible for ensuring are complete within their area. Our refreshed PDR process was launched at the end of 2020 to reflect our Purpose, Vision and Values.</li> <li>• The health and well-being of our workforce is of the utmost importance to the Council, as recognised through the implementation of the <a href="#">Healthy Working Lives Scheme</a>, with the Healthy Working Lives Gold Award being reviewed for accreditation in 2022, Covid-19 restrictions permitting.</li> </ul>
	<p style="text-align: right;">SL Democratic Governance</p> <p style="text-align: right;">SL Organisational Development and Customer Services</p> <p style="text-align: right;">SL CLD and Employability and Skills</p> <p style="text-align: right;">SL Risk and Safety</p>

Key:	Effective	Effective but scope for improvement	Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment


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




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing risk</b>	<b>2021-22 Year End Assessment:</b> 	
<p>62. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p> <p>63. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p> <p>64. Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<ul style="list-style-type: none"> <li>• A <a href="#">risk management strategy</a> that sets out the overall arrangements for assessing, managing and reviewing risk across the operation of the Council.</li> <li>• Strategic and directorate risk registers in place, with a regular review and reporting regime, to ensure risks are managed to a tolerable level.</li> <li>• 6 monthly agreement of the Council's Strategic Risk Register by the <a href="#">Audit and Governance Panel</a> and <a href="#">Leadership Panel</a>, following specific training for Members.</li> <li>• All Panel and Council reports include 'Risk Implications of Accepting or Rejecting Recommendations'</li> </ul>	SL Risk and Safety
<b>Managing performance</b>	<b>2021-22 Year End Assessment:</b> 	
<p>65. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p> <p>66. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p> <p>67. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>68. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p> <p>69. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</p>	<ul style="list-style-type: none"> <li>• Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (<a href="#">Pentana</a>) quarterly action performance reporting regime to Members.</li> <li>• Scrutiny of these performance reports takes place at the Service and Performance Panel, the latest being <a href="#">February 2022</a>, with an annual performance report taken to full Council in December. To aide this scrutiny, Members can directly access the performance information held within Pentana.</li> <li>• Scrutiny of our <a href="#">Service Reviews</a> and <a href="#">Transformation Agenda</a> has been through the Service and Performance Panel. 6-monthly reports were approved by Leadership Panel in <a href="#">October 2021</a> and <a href="#">February 2022</a> to ensure the appropriate level of governance is in place for the Council's strategic change programme.</li> <li>• Revenue Budgetary Control reports are presented to Members at the <a href="#">Leadership Panel</a> every three months, to provide a financial overview of the General Services revenue account, Housing Revenue Account and Common Good Accounts.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>Assistant Director - Place</p> <p>SL Corporate Accounting</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment



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




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Robust internal control</b>	<b>2021-22 Year End Assessment:</b> 	
<p>70. Aligning the risk management strategy and policies on internal control with achieving objectives</p> <p>71. Evaluating and monitoring risk management and internal control on a regular basis</p> <p>72. Ensuring effective counter fraud and anti-corruption arrangements are in place</p> <p>73. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p> <p>74. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul>	<ul style="list-style-type: none"> <li>• As described under 'managing risk' we have a risk management strategy aligned to the Council Plan and Risk Registers which management evaluate and monitor on a 6-monthly basis.</li> <li>• As described under 'managing performance' we have internal controls (our <a href="#">Performance Management Framework</a>) designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis.</li> <li>• As described under 'Respecting the rule of law' we have counter fraud and anti-corruption arrangements, together with a <a href="#">Corporate Fraud Team</a> that reports on a <a href="#">6 monthly basis</a>.</li> <li>• Our Internal Audit team develop their <a href="#">annual plan</a> linked to risk register and Council Plan. It is focused on areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes. Progress is <a href="#">reported quarterly</a>, together with an <a href="#">annual statement of assurance</a>.</li> <li>• Our Audit and Governance Panel, whose chair and vice chair are independent of the ruling political administration, is responsible for considering the overall adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements, including the associated anti-fraud and anti-corruption arrangements. The work of the Panel is conducted in line with our <a href="#">Audit Committee Handbook</a>.</li> <li>• Regular updates are provided to the Audit and Governance Panel on progress against <a href="#">Internal Audit</a> improvement actions together with progress against <a href="#">external audit reports</a>.</li> <li>• The Panel also administers the 'Call-In' process, where decisions of the Leadership Panel can be 'called in' by other Members, to allow further scrutiny to take place.</li> </ul>	<p style="text-align: center;">SL Risk and Safety</p> <p style="text-align: center;">SL Democratic Governance</p> <p style="text-align: center;">SL Internal Audit</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment



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




<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing data</b>		2021-22 Year End Assessment: 
<p>75. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>76. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>77. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Records Management Plan</a> sets out proper arrangements for the management of both electronic and physical records across all Council service areas, in compliance with the Public Records (Scotland) Act 2011.</li> <li>• Our <a href="#">Data Protection Policy</a> sets out our arrangements to ensure that we are fully compliant with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018.</li> <li>• We have <a href="#">guidance over sharing of data</a> and a specific <a href="#">Ayrshire and Arran Protocol</a> regulating the sharing of data with the Police Service for Scotland and Scotland Fire &amp; Rescue. A revised <a href="#">information sharing protocol</a> is in place between South Ayrshire Council, East Ayrshire Council, North Ayrshire Council, NHS Ayrshire and Arran and the Health and Social Care Partnership Service Integration Joint Boards.</li> </ul>	SL Democratic Governance
<b>Strong public financial management</b>		2021-22 Year End Assessment: 
<p>78. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</p> <p>79. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Financial Strategy 2020 to 2030</a> is key to ensuring the achievement of the Council's strategic objectives. Our planning at <a href="#">Service and Improvement Plan</a> level has always been tied back to the budgets available to services. However our '<a href="#">financial</a>' and '<a href="#">performance</a>' reporting that should link these inter-related elements remains separate, although financial reporting does refer to the impact on service performance for context.</li> <li>• Work continues to improve the flow of financial management information as budget holders become more directly involved in the budgeting and forecasting of spend. Work is ongoing to design and implement a new Enterprise Resource Planning solution, which is predicated on adopting best practice in this area and will ultimately inform future improvement work.</li> </ul>	SL Corporate Accounting

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment

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


<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Implementing good practice in transparency</b>		<b>2021-22 Year End Assessment:</b> 
<p>80. Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>81. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Council website</a> offers the public easy access to up to date information. We now comply with the <a href="#">Public Sector Bodies Accessibility Regulations</a> with regards to the accessibility of the documents we publish. We also use a <a href="#">range of social media</a> to ensure that we appeal to and engage with a broad range of audiences. We offer translations and alternative formats for our printed publications.</li> <li>• Our social media profile continues to increase with 34,593 followers across all of our corporate platforms at end March 2022 – an increase of 10% since 31 March 2021. We publish quarterly editions of our <a href="#">SAC Live Magazine</a> both online and in hard copy, providing residents with information on our services and the work of the Council.</li> <li>• Our <a href="#">Annual Accounts</a> feature a reader-friendly 'management commentary' covering our administration, financial management and performance over the course of the last year, providing a concise outline of progress, illustrated with examples and infographics.</li> </ul>	<p>SL ICT Enterprise Architecture</p> <p>SL Organisational Development and Customer Services</p> <p>SL Corporate Accounting</p>
<b>Implementing good practices in reporting</b>		<b>2021-22 Year End Assessment:</b> 
<p>82. Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</p> <p>83. Ensuring members and senior management own the results reported</p> <p>84. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p>	<ul style="list-style-type: none"> <li>• Our approach to <a href="#">public performance reporting</a> includes our <a href="#">Annual Performance Report</a>, and annual reports for high profile services including <a href="#">Educational Services</a>, <a href="#">Housing</a> and the <a href="#">Health and Social Care Partnership</a>.</li> <li>• Our <a href="#">Council's Annual Performance Report</a> and analysis of <a href="#">benchmarking data</a> allows the public to assess performance across all the main areas of Council service provision.</li> </ul>	<p>SL Policy, Performance and Community Planning</p>
<p>85. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <p>86. Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p>	<ul style="list-style-type: none"> <li>• We will introduce updated evaluation procedures for this Framework, maintaining the robustness of our existing approach, where the <a href="#">initial officer assessment</a> is scrutinised by the <a href="#">Audit and Governance Panel</a>, the findings and improvement actions then being reflected in the Council's Annual Governance Statement within our Annual Accounts.</li> <li>• We look for the principles of good governance, rather than this Framework itself, to be evident wherever we work in partnership. For example, our Health and Social Care Partnership publish their <a href="#">detailed governance arrangements on their website</a>.</li> </ul>	<p>SL Democratic Governance</p>




<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2021-22 Year End Assessment



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

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Assurance and effective accountability</b>		2021-22 Year End Assessment: 
<p>87. Ensuring that recommendations for corrective action made by external audit are acted upon</p> <p>88. Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon</p> <p>89. Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</p> <p>90. Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement</p> <p>91. Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met</p>	<ul style="list-style-type: none"> <li>• Regular updates are made to the Audit and Governance Panel on progress against improvement actions identified in relation to <a href="#">External Audit</a> reports.</li> <li>• Inspection reports on schools, social work services, children’s services etc. are considered at <a href="#">Leadership Panel</a>, who are kept updated over their improvement actions.</li> <li>• National Audit Scotland reports are considered by the Audit and Governance Panel, allowing the Council to <a href="#">reflect on their findings</a> and to act on areas for improvement.</li> <li>• We will look to take account of the risks associated with service delivery through third parties as part of our 2021/22 annual governance statement.</li> <li>• Our <a href="#">Partnerships Panel</a> monitors, reviews and challenges the performance of services which are delivered through or in partnership with external bodies and discharges the statutory requirement for local review of police and fire performance.</li> </ul>	<p>Head of Finance and ICT</p> <p>SL Risk and Safety</p> <p>SL Democratic Governance</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 2 - Delivering Good Governance – 2021/22 Improvement Actions – Update on progress to 31 March 2022

<b>KEY:</b>		Completed		Not on target – major concerns		Action no longer being progressed
		On target		Not on target – some concerns		Not due to start





Improvement Action	Lead Officer	Due Date	Status	Update on progress
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>				
1. Enhanced tools to capture client satisfaction data to be added to the Council's Internet Site	Head of Finance and ICT	31 Mar 22		New page templates now include enhanced tools to capture client satisfaction data as standard. Old website now being migrated to digital services platform and, as they are recreated, the necessary tools are added. Around 90% of old site now successfully migrated.
2. Procurement and installation of an audio and visual solution for remote and hybrid Council meetings which will enable public access to those meetings	Head of Finance and ICT; Service Lead - Democratic Governance	17 Dec 21		New microphones now installed within County Hall, procurement and installation complete.




**Appendix 2 - Delivering Good Governance – 2021/22 Improvement Actions – Update on progress to 31 March 2022**

<p>3. Review of governance arrangements for Integrated Joint Board (IJB) and Ayrshire Roads Alliance (ARA)</p>	<p>Head of Legal, HR and Regulatory Services</p>	<p>31 Mar 22</p>	<p></p>	<p><b>IJB</b> - There are two aspects to the governance review - the first was dictated by the review of the Scheme of Integration which was led by the Director of the HSCP, and which was required to be completed to allow the recommendation on the required changes to be made by the parties to the Scottish Government by 31 March 2019. This has been completed.</p> <p>The second part of the review is how the governance of the IJB is currently working regarding its relationship with the Council. Here the consideration is where both Strategic and operational matters and reports require to be considered by both the IJB and Council in terms of both the IJB Scheme and the Council's Scheme of Delegations. The Head of LHRRS produced a paper which explains the Council's governance process and shared this with the Health Board and IJB members. It was agreed. A new governance manager was appointed for the IJB. The new governance manager and the Head of LHRRS completed two Briefings to Members and finalised a report to Council which confirmed these governance arrangements. The remaining actions for the IJB governance have been completed.</p> <p><b>ARA</b> – The Place Directorate have reviewed the list of assets which ARA had advised were not part of the Agreement reached with them. Place have agreed a maintenance and repairs schedule for these assets with ARA. These include footpaths, cycle lanes, carparks and most recently a pier. These arrangements and amendments to the legal arrangements for areas of work carried out by ARA have been captured in a Variation Agreement. ARA also carried out a service review which was reported to members in South and East Ayrshire Councils and to the Shared Services Committee. The governance arrangements in the agreements by both parties were considered by the monitoring officers in both Councils. It was noted that the governance provisions continued to be followed and allowed members to be informed and for decisions to be taken by the Joint Committee and separately to the respective Councils decision making Panels where additional budget was required. The performance reports for ARA continue to be reported to the Shared Service Committee. These performance criteria can be revisited in terms of the information or presentation format if there are instructions to do so by the Place Directorate. This was considered by the Assistant Director of Place but there was no instruction to change these arrangements at this point.</p>
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## Appendix 2 - Delivering Good Governance – 2021/22 Improvement Actions – Update on progress to 31 March 2022

4. Development of a procedure to highlight difference engagement has made	Service Lead - CLD and Employability and Skills	31 Mar 22		Officers are currently concluding the Consultation Institute training programme, made up of colleagues from across the council who are responsible for consultation in their service area. A new Consultation Officers group has been established with the first meeting in mid May 2022. This was the final action from the Community Engagement Strategy. This group will be tasked with carrying forward this action as part of their wider remit.
5. Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process	Service Lead - Policy, Performance and Community Planning	31 Aug 21 (revised date - 31 Dec 22)		Aberdeenshire Council advised their online integrated impact assessment (IIA) process is successful on SharePoint. As the Council has this platform in place, we checked with Digital Services that Equalities can work with ICT Service Advisors to implement our Integrated Impact Assessment (IIA) tool process on SharePoint in South Ayrshire Council. However, as part of the M365 programme, there is a pilot of another system awaiting sign off. This should be finalised by late summer 2022. At this stage the Equalities IIA should be able to be designed and developed on SharePoint. Training will be provided by the M365 Project Team/ICT Services/Equalities to deliver this toolkit to officers by December 2022.
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>				
6. Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	Service Lead - Economy and Regeneration	31 Dec 22 (revised date)		Inclusive Growth is core to each of the business cases that have been submitted to Government. Once approved, the full business cases will be developed, and benefits realisation plans come into force. This will provide monitoring tool for inclusive growth.
7. Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	Service Lead - Democratic Governance; Service Lead - Neighbourhood Services	31 Dec 22 (revised date)		The Sustainable Scottish Network (SSN) Local Authority Forum is taking forward work to agree a climate change impact assessment or reporting tool to allow consistency across all local authorities. Deadline to be extended to accommodate this work.

**Appendix 2 - Delivering Good Governance – 2021/22 Improvement Actions – Update on progress to 31 March 2022**

F. Managing risk and performance through robust internal control and strong public financial management					
2	8.	The new financial management system will, through direct access and streamlined processes, drive further improvement in the direct involvement of budget holders in budgeting and forecasting.	Service Lead - Corporate Accounting	31 Mar 23 (revised date)	 <p>As development of the system has progressed, some changes to the original perception of how the system would work have become evident. For example, due to the prohibitive cost of licences, budget holders will not be able to access the system directly but will instead liaise closely with Finance staff to provide and receive information to and from the system. The system will promote the adoption of best practice and help drive further improvement in financial management.</p>

### Appendix 3 - Delivering Good Governance – Proposed 2022/23 Improvement Actions

Improvement Action	Lead Officer	Due Date	Priority
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>			
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>			
1. Development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. to ensure key strategic priorities are considered at the start of the policy development process with review of effectiveness and relevance reported to Panel (Link to A and C)	Service Lead - Policy, Performance & Community Planning	31.12.22	Essential
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>			
2. Business cases to be developed to include details as to how Ayrshire Growth deal projects will address Inclusive Growth	Service Lead - Economy and Regeneration	31.12.22	Desirable
3. Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	Service Leads - Democratic Governance & Neighbourhood Services	31.12.22	Essential
4. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and CAT	31.03.23	Desirable
<b>D. Determining the actions necessary to optimise the achievement of the intended outcomes</b>			
5. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health and Care Services	31.03.23	Desirable

### Appendix 3 - Delivering Good Governance – Proposed 2022/23 Improvement Actions

6. Contribute to the development and implementation of the Regional Economic Strategy being led by North Ayrshire Council	Service Lead - Economy and Regeneration	31.12.22	Desirable
7. Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluatory tool 'How Good is our Council'	Service Lead - Policy, Performance & Community Planning	31.03.23	Essential
<b>E. Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>			
8. Review workforce planning to better align it to service planning	Chief Executive	31.03.23	Essential
<b>F. Managing risk and performance through robust internal control and strong public financial management</b>			
9. The new Enterprise Resource Planning system will promote the adoption of best practice and help drive further improvement in financial management	Service Lead – Corporate Accounting	31.03.23	Desirable
<b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>			

## South Ayrshire Council

### Report by Assistant Director – People to Audit and Governance Panel of 22 June 2022

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**Subject: Corporate Lets**

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#### **1. Purpose**

- 1.1 The purpose of this report is to provide an annual update in relation to requests for discretion to be applied to let charges from 1 April 2021 to 31 March 2022.

#### **2. Recommendation**

- 2.1 It is recommended that the Panel reviews the information in this report.**

#### **3. Background**

- 3.1 At Council in December 2019, it was agreed that officers could apply discretion to let charges, and a register of all discretionary lets would be held and reported on annually.
- 3.2 2021-2022 continued to be a difficult and challenging period for lessees in terms of the implications of the COVID19 pandemic. Due to COVID19 restrictions, indoor lets for external organisations did not fully re-open until September 2021.
- 3.3 Twelve applications to apply discretion to let charges were received during the reporting period. Ten applications were approved and two were rejected. The register of discretionary applications is set out in [Appendix 1](#).

#### **4. Proposals**

- 4.1 It is proposed to continue to review requests for discretion on an annual basis.

#### **5. Legal and Procurement Implications**

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

#### **6. Financial Implications**

- 6.1 Applying the discretion has resulted in a net reduction in income to the Council. However, there was no cost to the Council. The discretionary amount took into account any staffing or other costs that would be incurred.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

### **8.1 *Risk Implications of Adopting the Recommendations***

8.1.1 There are no risks associated with adopting the recommendations.

### **8.2 *Risk Implications of Rejecting the Recommendations***

8.2.1 There are no risks associated with the rejection of the recommendations.

## **9. Equalities**

9.1 This report provides an update on progress of a Panel report which was assessed for potential equality impacts, and the relevant documentation is attached within the report to South Ayrshire Council of 18 December 2019 – [Corporate Lets](#) .

## **10. Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitments 4 and 6 of the Council Plan: South Ayrshire Works/ Make the most of the local economy; and A Better Place to Live/ Enhanced environment through social, cultural and economic activities.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Alec Clark, Portfolio Holder for Tourism and Rural Affairs, and the contents of this report reflect any feedback provided.

**Background Papers**     **Report to Audit and Governance Panel of 2 June 2021 – [Corporate Lets](#)**

**Person to Contact**     **Laura Kerr, Service Lead – Destination South Ayrshire  
Carnegie Library, Main Street, Ayr  
Phone 01292 616421  
E-mail [Laura.kerr4@south-ayrshire.gov.uk](mailto:Laura.kerr4@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

## Appendix 1

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount of Discretion Requested	Amount of Discretion Applied	Rationale	Outcome	Decision Maker	Review
6/11/2021	Dundonald Parish Church	Foodbank	Various from Jun 2021	Weekly	£54 per let	100%	£54 per let	Working with Thriving Communities	Approved	Jamie Tait	
6/26/2021	Ayr Utd (1st Team)	Football Training	Various - June/July 2021	Various	£55 per hour	Not specified	£0.00	Professional Team	Rejected	Jane Bradley	NA
7/16/2021	Carrick Rugby Club	Rugby Matches - on new 3G pitch	Various	Various	£55 per hour	Grass pitch rates	see comment	Supporting the transition to the new 3G pitch	Approved	Jane Bradley	
8/17/2021	Ballroom Dancing Troon	Ballroom Dancing	Ongoing	Weekly	£122.50 per let	Not specified	4 weeks no charge then 3 weeks @ 50%	COVID Recovery/Programme transfer from SAC	Approved	Jane Bradley	Review after 3 months - details of numbers attending required
9/29/2021	Beautiful Inside & Out	Charity Fundraiser to enable them to provide free Counselling sessions	11/20/2021	One Off	£180.00	Not specified	£60.00	Charity	Approved	Jane Bradley	NA
9/30/2021	Carrick Walking Football	Walking Football	Sept-June	Weekly	£35 per let	Not specified	£0.00	Transfer from Ayr Utd	Rejected	Jane Bradley	NA
10/25/2021	Kincaidston PS	Community Disco	10/30/2021	One Off	£57.00	100%	£57.00	Community event following Kincaidston explosion	Approved	Jane Bradley	NA
11/1/2021	Ballroom Dancing Troon	Ballroom Dancing	Ongoing	Weekly	£122.50 per let	50% reduction	£61.25 per let	COVID Recovery/Programme transfer from SAC	Approved	Jane Bradley	Review again in 3 months
10/21/2021	Ayr Film Society	Film Screenings	Ongoing	Weekly	£105.00	£14.70 reduction	£14.70 per week	COVID Recovery	Approved	Jane Bradley	Review March 2022
10/21/2021	Ayr Film Society	Charity Film Screening - Whiteley's (Council charity)	11/28/2021	One Off	£105.00	100%	£105.00	Council Charity	Approved	Jane Bradley	NA
11/30/2021	Ayrshire Community Gospel Choir	Christmas Concert - Ayrshire Cancer Support	12/4/2021	One Off	£717.00	Not specified	£150.00	Charity Event	Approved	Jane Bradley	



<b>Application Date</b>	<b>Group/ Organisation</b>	<b>Reason for Let</b>	<b>Date of Let</b>	<b>Frequency Of Let</b>	<b>Let Charge</b>	<b>Amount of Discretion Requested</b>	<b>Amount of Discretion Applied</b>	<b>Rationale</b>	<b>Outcome</b>	<b>Decision Maker</b>	<b>Review</b>
2/25/2022	Ayr Station Hotel Community Action Group	Meeting	3/21/2022	One Off	£40.00	100%	£40.00	Previous request of Cllr McGinley	Approved	Jane Bradley	Only where the building is already open for other let

**South Ayrshire Council**

**Report by Head of Finance and ICT  
to Audit and Governance Panel  
of 22 June 2022**

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**Subject: Treasury Management Annual Report 2021/22**

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**1. Purpose**

- 1.1 The purpose of this report is to present, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the annual report of treasury management activities for 2021/22 (as attached at [Appendix 1](#)), and seek Members' consideration of its contents.

**2. Recommendation**

**2.1 It is recommended that the Panel:**

- 2.1.1 considers the Annual Treasury Management Report 2021/22, as attached at [Appendix 1](#); and**
- 2.1.2 remits the Annual Treasury Management Report to the next Cabinet meeting on 23 August for approval.**

**3. Background**

- 3.1 The Council is required through regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury report reviewing treasury management activities and prudential and treasury indicators. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 3.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.3 The Head of Finance & ICT also confirms that the Council has complied with the requirements under the Code, to give prior scrutiny of treasury management reporting to the Council's Audit and Governance Panel prior to submitting the report to Leadership Panel.

3.4 Treasury management in this context is defined as:

*‘The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.*

#### 4. Proposals

4.1 The Treasury Management Annual Report for 2021/22 is submitted to the Panel, as Audit and Governance Panel, in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, for consideration and thereafter remit to the Leadership Panel meeting on 23rd August for approval.

#### 4.2 **Executive Summary**

During 2021/22, the Council complied with its legislative and regulatory requirements. The key prudential indicators detailing the impact of capital expenditure activities during the year, with previous year comparators, are shown below.

<b>Actual Prudential and Treasury Indicators</b>	<b>2020/21 Actual £'000</b>	<b>2021/22 Actual £'000</b>
Capital Expenditure	<b>50,838</b>	<b>89,463</b>
Total Capital Financing Requirement (including other long-term liabilities)	350,040	398,971
PPP and Finance Lease	(99,567)	(95,777)
<b>Underlying Borrowing Requirement</b>	<b>250,473</b>	<b>303,194</b>
Gross External Debt	238,159	289,434
Under (Over) Borrowed	12,314	13,760
Cash/Investments	(73,390)	(72,105)
<b>Net External Debt</b>	<b>164,769</b>	<b>217,329</b>

4.3 The table above shows that the Council has an under-borrowed position on 31 March 2022 of £13.760, c 4.5%. This means the Council has used some internal borrowing from cash/reserves to fund an element of its current capital expenditure requirements. It does not indicate that borrowing for the capital programme has not been undertaken; only that internal cash resource has been used as funding, opposed to external borrowing.

4.4 Although this is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates, the Council’s under-borrowed position is only 4.538% of its overall under-lying borrowing requirement and is therefore manageable within the current strategy. The strategy for 2022/23 is expected to maintain a marginal under-borrowed position whilst

closely monitoring longer term PWLB and market rates in considering new borrowing.

4.5 Other prudential and treasury indicators are included in [Appendix 1](#) to this report. The Head of Finance and ICT also confirms that any borrowing was only undertaken for capital purpose and the statutory borrowing limit (the authorised limit) was not breached during 2021/22.

4.6 The financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns.

## 5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## 6. Financial Implications

### 6.1 General Services

6.1.1 **Interest on Revenue Balances Held** – the Council originally budgeted to receive £0.114m in interest income (based on a return of 0.50%) to the General Fund in 2021/22. Interest rates for investment remained low, however with the investment strategy outperforming both the budget and benchmark this resulted in an enhanced return.

Investment income to the General Fund outturned at £0.184m, a surplus of £0.070m. Interest was also received to the Council’s Repairs and Renewals Fund and Capital Fund to the value of £0.021m.

6.1.2 **Capital Financing Costs** - the Council originally budgeted £12.266m for financing costs and expenses on debt for 2021/22. This budget consisted of £5.249m in loan principal, £6.837m in interest and £0.180m in expenses. During 2021/22, a pragmatic approach was taken when considering the borrowing requirements to fund capital expenditure. The borrowing strategy during 2021/22 resulted in savings as under-noted:

	Budget £'000	Out-turn £'000	Variance £'000
Principal	5,249	5,196	53
Interest	6,837	6,137	700
Expenses	180	205	(25)
<b>Capital Financing costs</b>	<b>12,266</b>	<b>11,557</b>	<b>728</b>
<b>Investment income</b>	<b>(114)</b>	<b>(184)</b>	<b>70</b>
<b>Total Debt charges</b>	<b>12,152</b>	<b>11,373</b>	<b>798</b>

The borrowing strategy undertaken in 2021/22 resulted in an overall saving to the General Services of £0.798m.

### 6.2 Housing Revenue Account (HRA)

6.2.1 **Interest on HRA Revenue Balances Held** – the HRA budgeted to receive investment income of £0.050m on its revenue balances in 2021/22

based on achieving an interest rate of 0.50%. Similar to the General Fund the investment strategy was able to out-perform both budget and benchmark resulting in a return of £0.67m in investment income a surplus of £0.017m.

- 6.2.2 **Capital Financing Costs** - the HRA budgeted £3.768m for financing costs on debt for 2021/22. This consisted of £1.281m in loan principal, £2.423m in interest and £0.064m in expenses.

	Budget £'000	Out-turn £'000	Variance £'000
<b>Principal</b>	1,281	1,249	32
<b>Interest</b>	2,423	2,288	135
<b>Expenses</b>	64	76	(12)
<b>Capital Financing costs</b>	<b>3,768</b>	<b>3,620</b>	<b>155</b>
<b>Investment income</b>	<b>(50)</b>	<b>(67)</b>	<b>17</b>
	<b>3,718</b>	<b>3,659</b>	<b>172</b>

The borrowing strategy undertaken in 2021/22 resulted in an overall saving to the HRA of £0.172m.

- 6.3 In total, net debt financing costs were under spent by £883m, and when added to an over achievement in interest income of £0.087m resulted in an overall surplus of £0.970m which was reflected in the Council and HRA financial position at 2021/22.

## 7. Human Resources Implications

- 7.1 Not applicable.

## 8. Risk

### 8.1 **Risk Implications of Adopting the Recommendations**

- 8.1.1 There are no risks associated with adopting the recommendations.

### 8.2 **Risk Implications of Rejecting the Recommendations**

- 8.2.1 If the recommendations are rejected, then the Council will be non-compliant with the requirements contained in both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

## 9. Equalities

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

## 10. Sustainable Development Implications

- 10.1 **Considering Strategic Environmental Assessment (SEA)** - This report does not propose or seek approval for a plan, policy, programme or strategy or document

otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

12.1 The matters referred to in this report contribute to the Council strategic objective of 'Improve the way that we work as a Council' and within that to the outcome 'Governance arrangements that provide an effective framework for decision making and scrutiny'.

## **13. Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**     **CIPFA Code of Practice for Treasury Management in Local Authorities**

**Report to South Ayrshire Council of 4 March 2021 - [Treasury Management and Investment Strategy 2021/22](#)**

**Report to South Ayrshire Council of 18 January 2022 – [Treasury Management Mid-Year Report 2021/22](#)**

**Person to Contact**     **Tim Baulk, Head of Finance and ICT**  
**County Buildings, Wellington Square, Ayr, KA7 1DR**  
**Phone 01292 612620**  
**Email [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 8 June 2022**

**South Ayrshire Council**  
**Treasury Management Annual Report 2021/22**

**Introduction**

In accordance with the requirements of the CIPFA Code of Practice on Treasury Management in the Public Services, this report covers the following:

- Section 1 - The Council's Capital Expenditure and Financing 2021/22;
- Section 2 – The Council's overall borrowing need;
- Section 3 – Treasury Position as at 31 March 2022;
- Section 4 – The Strategy for 2021/22;
- Section 5 – The Economy and Interest Rates
- Section 6 – Borrowing Rates in 2021/22;
- Section 7 – Borrowing Out-turn 2021/22; and
- Section 8 – Investment Rates and Out-turn 2021/22.
- Section 9 – Other Issues

**Section 1 The Council's Capital Expenditure and Financing 2021/22**

1.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual expenditure, how this was financed and the resulting borrowing requirement.

**Table 1**

<i>Item</i>	<i>2020/21 Actual £'000</i>	<i>2021/22 Estimate per Strategy</i>	<i>2021/22 Actual</i>
General Fund capital expenditure	33,334	86,128	66,230
HRA capital expenditure	17,504	36,220	23,233
<b>Total</b>	<b>50,838</b>	<b>122,348</b>	<b>89,463</b>
Resourced by:			
Government Grant & Other	(14,651)	(13,269)	(10,040)
Other funding identified	(18,455)	(17,603)	(20,257)
<b>Borrowing :</b>	<b>17,732</b>	<b>91,476</b>	<b>59,166</b>

- 1.3 The reason for the movement between planned expenditure/funding and actual out-turns for 2021/22 can be found in the General Services and HRA 2021/22 capital monitoring reports presented to Leadership Panel throughout 2021/22. The largest examples (by value) of reprofiling of spend in to 2022/23 being:
- Early Learning & Childcare projects - £6.1m
  - Sacred Heart Primary - £1.7m
  - Craigie Additional Sporting Facility - £4.4m
  - HRA Major component replacement programme - £5.9m

## Section 2 The Council's overall Borrowing Need

- 2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (Table 1), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service manages the Council's cash position to ensure that sufficient cash is available to meet not only the capital plans but also to manage the daily cash flow requirements of funding its revenue commitments of payroll, suppliers, benefits etc.
- 2.3 This borrowing for capital expenditure may be sourced through external bodies such as the Government, through the Public Works Loan Board [PWLB] or the money markets) or utilising temporary cash resources within the Council (internal borrowing).
- 2.4 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation as a loan repayment, to reduce the CFR. This is effectively a repayment of the borrowing need and differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
  - by charging more than the scheduled debt amortisation for loans repayment.
- 2.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's CFR, however no borrowing is required against these schemes as a borrowing facility is included in these contracts.

The undernoted table shows the Council's underlying borrowing requirement, inclusive of PPP and Finance lease arrangements, as of 31 March 2022.



**Table 2**

<b>Capital Financing Requirement</b>	<b>31 Mar 2021 £'000</b>	<b>31 Mar 2022 £'000</b>
<b>Opening Balance</b>	<b>341,749</b>	<b>350,040</b>
Add unfinanced capital expenditure	17,732	59,166
Add new OLTL obligations (PPP)	993	0
Less loans fund repayment	(6,789)	(6,445)
Less PPP/ finance lease repayment	(3,645)	(3,790)
<b>Closing Balance</b>	<b>350,040</b>	<b>398,971</b>

The borrowing activity is constrained by prudential indicators for gross borrowing, CFR, and by the authorised limit. The increasing CFR position reflects the Council's capital programme expenditure in 2021/22 and the resulting borrowing requirements to fund this investment.

- 2.6 **Gross Borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2020/21) plus the estimates of any additional capital financing requirement for the current (2021/22) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs.

The table below highlights the Council's gross borrowing position against the CFR.

**Table 3**

<b>Item</b>	<b>31 March 2021 £'000</b>	<b>31 March 2022 £'000</b>
Capital Financing Requirement (CFR)	350,040	398,971
Gross External Borrowing Position (including PPP and finance Lease)	337,726	385,211
<b>Net Under/ (Over) Borrowed Position</b>	<b>12,314</b>	<b>13,760</b>

The table above shows the CFR in an under-borrowed position at 31 March 2022 of £13,760m. This means the Council has used some internal borrowing from cash/ reserves to fund an element of its current capital expenditure requirements

This is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates. The current strategy for 2022/23 is expected to maintain this under-borrowed position whilst closely monitoring longer term PWLB and market rates and consideration of potentially re-financing some of the temporary loan debt with longer term

## 2.7 **Borrowing Prudential Indicators**

- **The Authorised Limit – Table 4** - the authorised limit is the maximum borrowing limit, beyond which the Council does not have the power to borrow.

Table 4 below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

- **The Operational Boundary – Table 4** – the operational boundary is the expected borrowing position of the Council during the year with headroom for daily cash flow variations. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

The operational boundary position will be reviewed and updated in 2022/23 treasury reporting.

- **Actual Financing Costs as a Proportion of Net Revenue Stream – Table 5** - this indicator identifies the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream of the Council.

**Table 4**

<i>Item</i>	<i>2020/21 £'000</i>	<i>2021/22 £'000</i>
<b>Authorised Borrowing Limit External Debt</b>	<b>414,723</b>	<b>468,936</b>
Borrowing	238,159	289,434
Other Long Term Liabilities	99,567	95,777
<b>Total</b>	<b>337,726</b>	<b>385,211</b>
<b>Operational Boundary External Debt</b>	<b>377,726</b>	<b>425,211</b>
Borrowing	238,159	289,434
Other Long Term Liabilities	99,567	95,777
<b>Total</b>	<b>337,726</b>	<b>385,211</b>

**Table 5**

<i>Ratio of Financing Costs to Net Revenue Stream</i>	<i>Actual 2020/21</i>	<i>Actual 2021/22</i>
General Services	6.97%	5.65%
HRA	11.17%	10.91%
<b>Total</b>	<b>7.72%</b>	<b>6.33%</b>

### **Section 3 Treasury Position**

- 3.1 The Council's debt and investment position is administered by the treasury management team to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2021/22 the Council 's treasury (excluding borrowing by PFI and finance leases) position was as follows:

**Table 6**

	<b>Borrowing position as at 31 March 2021</b>		<b>Borrowing position as at 31 March 2022</b>		<b>Change in year</b>
	<b>£'000</b>	<b>Average interest rate %</b>	<b>£'000</b>	<b>Average interest rate %</b>	<b>£'000</b>
<b>Long Term Borrowing</b>					
Public Works Loans Board	143,958	4.20	178,233	3.64	34,275
Market – Fixed	8,000	1.44	8,000	0.48	0
LOBO (Option Loans)	41,200	4.52	41,200	4.52	0
<b>Total Long Term Borrowing</b>	<b>193,158</b>		<b>227,433</b>		<b>34,275</b>
Short Term Borrowing	45,000	0.42	62,000	0.21	17,000
<b>Total External Borrowing</b>	<b>238,158</b>	<b>2.65</b>	<b>289,433*</b>	<b>2.21</b>	<b>51,275</b>
CFR (underlying borrowing need)	250,472		303,193		52,721
Over (Under) Borrowing	<b>(12,314)</b>		<b>(13,760)</b>		<b>1,446</b>
Investments	<b>(73,390)</b>	<b>0.53</b>	<b>(72,105)</b>	<b>0.64</b>	<b>1,285</b>

\* The carrying amount of loans on the Council's balance sheet as at 31 March 2022 is £290.266m. The difference between this figure and the external borrowing shown in Table 6 above is £0.833m of equivalent interest rate accounting adjustments required by the Code of Practice on local authority accounting.

3.2 **Table 7** below details the profile of the Council's loan maturity periods as at 31 March 2022.

**Table 7**

<b>Maturity analysis of Debt Outstanding at 31 March 2022</b>	<b>PWLB £'000</b>	<b>Market £'000</b>	<b>LOBO (Option) £'000</b>	<b>Temp Borrowing</b>	<b>Total £'000</b>
Maturing within 1 year	2,049	0	0	62,000	64,049
Maturing 1 to 2 years	4,295	8,000	3,000	0	15,295
Maturing 2 to 5 years	4,909	0	0	0	4,909
Maturing 5 to 10 years	17,507	0	3,000	0	20,507
Maturing 10 to 20 years	31,803	0	5,500	0	37,303
Maturing 20 to 30 years	14,004	0	5,000	0	19,004
Maturing 30 to 40 years	53,666	0	5,000	0	58,666
Maturing 40 to 50 years	50,000	0	9,700	0	59,700
Maturing > 50 years	0	0	10,000	0	10,000
<b>Total</b>	<b>178,233</b>	<b>8,000</b>	<b>41,200</b>	<b>62,000</b>	<b>289,433</b>

3.3 **Loans fund** - where a local authority has a Housing Revenue Account, the HRA should be reported separately from the General Fund. The reporting on the commitment to repay loans fund advances is for repayments only and does not include any interest costs. The Loans Fund balances are set out in Table 8 and Table 8(a) below:

**Table 8 – Loans Fund Advances to General Fund**

<b>Loans Fund</b>	<b>31 March 2021 (£'000)</b>	<b>31 March 2022 (£'000)</b>
Opening Balance	169,639	179,290
Add advances	15,158	52,109
Less repayments	(5,507)	(5,196)
<b>Closing Balance</b>	<b>179,290</b>	<b>226,203</b>

**Table 8(a) – Loans Fund Advances to HRA**

<b>Loans Fund</b>	<b>31 March 2021 (£'000)</b>	<b>31 March 2022 (£'000)</b>
Opening Balance	67,501	68,793
Add advances	2,574	7,918
Less repayments	(1,282)	(1,249)
<b>Closing Balance</b>	<b>68,793</b>	<b>75,462</b>

#### **Section 4 Strategy for 2021/2**

4.1 Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated. The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with large amounts of cheap credit so that banks could help businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as

illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

- 4.2 In this scenario, the treasury strategy was to increase temporary borrowing from £45m to £62m to take advantage in the short-term market which offered cheap funding, particularly in the inter local authority markets and to also fund the majority of the Council and HRA additional borrowing requirements from long term external borrowing (PWLb).

## Section 5 Economy and Interest Rates

- 5.1 **UK. Economy.** Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16<sup>th</sup> December 2021, 0.50% at its meeting of 4<sup>th</sup> February 2022 and then to 0.75% in March 2022.

The UK economy has had a number of setbacks through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the Monetary Policy Committee (MPC) to focus on tackling the second-round effects of inflation, now that the Consumer Price Index (CPI) measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably move UK gilt yields higher. There is a strong correlation between the two factors. However, the impact on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong issues for any economy to deal with. In addition, from 1<sup>st</sup> April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drain on real incomes in 2022 than in any year since records began in 1955.

**Average inflation targeting.** This was the major change in 2021/22 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2021 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That statement now seems very dated. Inflation is the main issue, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

**USA.** Comments from Federal Reserve System (Fed) officials following the mid-March Federal Open Market Committee (FOMC) meeting – including from Chair Jerome Powell himself – stating the message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Jerome Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

**EU.** With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the European Central Bank (ECB) will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said “we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation.”

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a “technical” recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. A positive note is unemployment fell to only 6.8% in February.

**China.** After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official Gross Domestic Product (GDP) numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

**Japan.** The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

**World growth.** World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

**Deglobalisation.** Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

**Central banks' monetary policy.** During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

## **Section 6    Borrowing Rates in 2021/22**

### **6.1    *PWLB Borrowing Rates -***

PWLB rates are based on gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

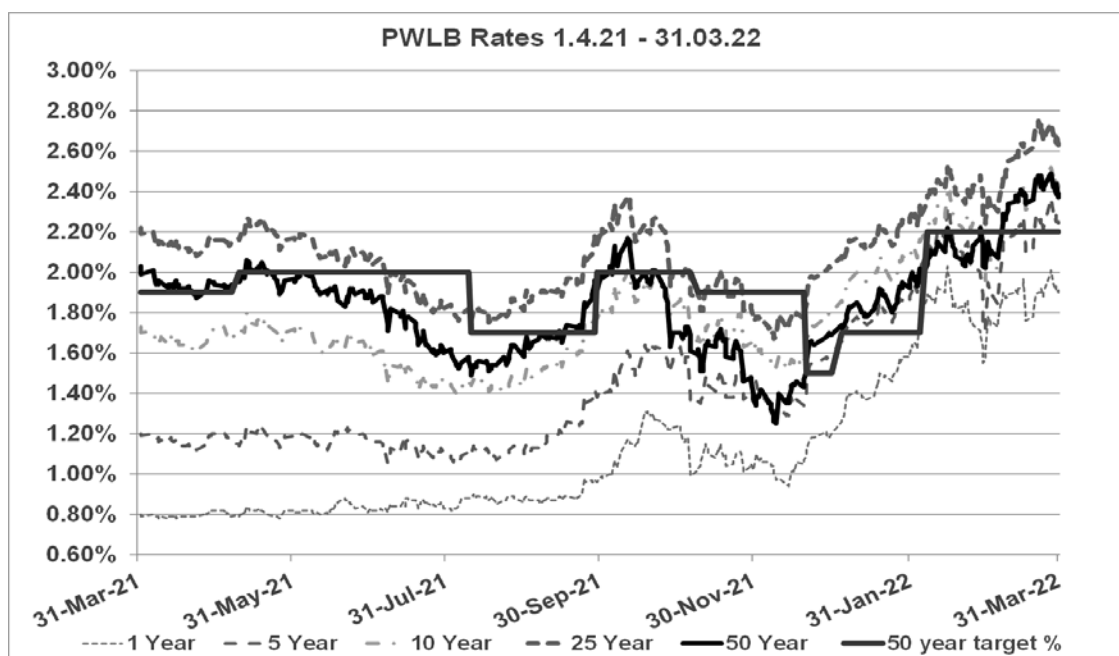
Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.



Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40



## Section 7 Borrowing Out-turn for 2021/22

- 7.1 During 2021/22 the Council funded part of the capital borrowing requirement in the short-term market, increasing temporary borrowing to £62.000m, at March 2022. However, additional long-term borrowing (PWLB) of £35.000m was also undertaken, taking advantage of low interest rates and gaps in the borrowing maturity profile. The Council were in an under-borrowed position of £13,760m for 2021/22. The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 7.2 During 2022/23 focus will be on monitoring longer term rates and looking to borrow longer term to meet the CFR and at the same time look to reduce the temporary borrowing of £62.000m on the short-term market.
- 7.2 During 2021/22 the actual borrowing and repayments of external debt transacted are shown in Table 10 below. This shows temporary borrowing being increased and longer term borrowing being undertaken, a prudent position in the current interest rate environment. The Council's policy is to ensure that not more than 25% of long-term loans are due to mature within any financial year. The indicator for maturing debt of 22% (within one year) is 3% below the maturity limit indicator.

**Table 10**

Loan Type	Borrowed 2021/22 £'000	Repaid 2021/22 £'000	Net £'000
PWLB	35,000	(725)	34,275
Market Loans	5,000	(5,000)	0
Temporary borrowing	78,000	(61,000)	17,000
	<b>118,000</b>	<b>(66,725)</b>	<b>51,275</b>

- 7.3 **Debt Re-scheduling** – no external debt was re-scheduled during 2021/22 as the average differential of 1% between PWLB new borrowing rates and premature redemption rates made early repayment of loans expensive and unviable due to the premiums that would be payable.

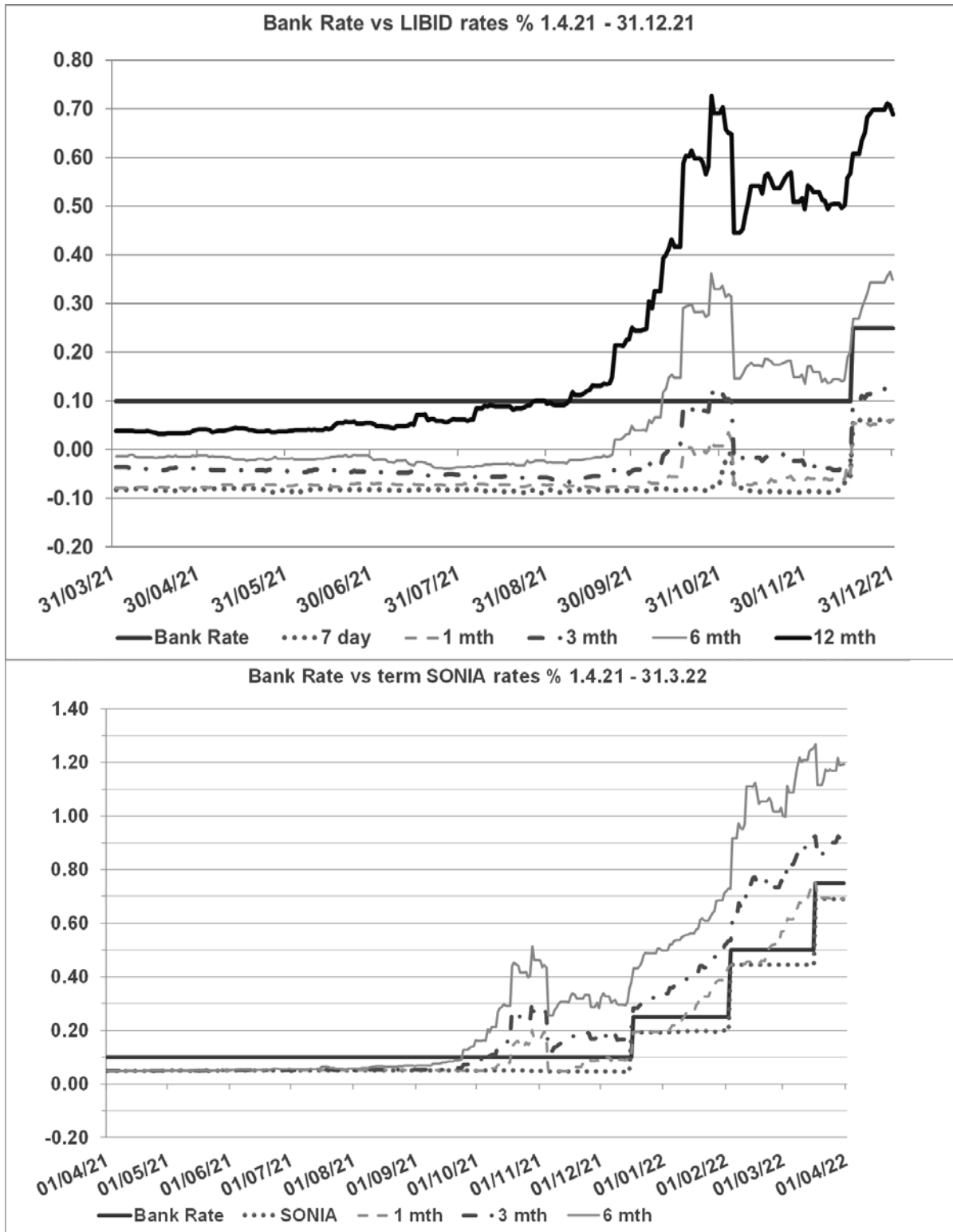
## Section 8 Investment Rates, Out-turn and Policy in 2021/22

- 8.1 The Council's investment policy is governed by Scottish Government investment regulations, which have been implemented in the annual investment strategy approved by the Council on 4<sup>th</sup> March 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Fig 2 and 3 below shows the bank rate and average of short-term rates generally available in the market for investment period up to 1 year.

Fig 2



## Money Market Investment Rates 2021/22

Fig 3

	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
<b>High</b>	0.25	0.06	0.06	0.14	0.36	0.73
<b>High Date</b>	17/12/2021	29/12/2021	31/12/2021	31/12/2021	30/12/2021	28/10/2021
<b>Low</b>	0.10	-0.09	-0.08	-0.07	-0.04	0.04
<b>Low Date</b>	01/07/2021	27/08/2021	17/09/2021	08/09/2021	27/07/2021	08/07/2021
<b>Average</b>	0.11	-0.07	-0.05	-0.01	0.09	0.31
<b>Spread</b>	0.15	0.15	0.14	0.20	0.40	0.68

	Bank Rate	SONIA	1 mth	3 mth	6 mth
<b>High</b>	0.75	0.69	0.75	0.93	1.27
<b>High Date</b>	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
<b>Low</b>	0.10	0.05	0.05	0.05	0.05
<b>Low Date</b>	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
<b>Average</b>	0.19	0.14	0.17	0.24	0.34
<b>Spread</b>	0.65	0.65	0.71	0.88	1.22

8.3 **Investment Out-turn** – the Council maintained an average balance of £71.9m of internally managed investment funds. The internally managed funds earned an average rate of return of 0.32%.

The comparable performance indicator is the average 3-Month SONIA uncompounded rate which was 0.24%.

Table 11

	<b>Average Value of Investments Held</b>	<b>Rate of Return</b>	<b>Benchmark Return*</b>
Investments	£71.971m	0.32%	0.24%

*\*The benchmark return used is the 3 month SONIA uncompounded rate of 0.24%. This represents the average rate that would be realised if deposits were placed on the inter-bank money market for continuing periods of 3 months throughout 2021/22.*

8.4 **Investment Policy** – the Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the Annual Investment strategy approved by the Council on 4 March 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year met with the approved strategy, and the Council had no liquidity difficulties.

## 8.5 Current Council Investments held at 31 March 2022.

**Table 12**

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal £000
Deposit	Fixed	06/08/2021	05/08/2022	Warrington Borough Council	Maturity	0.12	5,000
Deposit	Fixed	11/08/2021	10/08/2022	Slough Borough Council	Maturity	0.10	5,000
Deposit	Fixed	27/08/2021	26/08/2022	Blackpool Borough Council	Maturity	0.10	5,000
Deposit	Fixed	06/09/2021	05/09/2022	London Borough of Croydon	Maturity	0.30	5,000
Deposit	Fixed	01/10/2021	30/09/2022	London Borough of Croydon	Maturity	0.30	5,000
Deposit	Fixed	09/10/2020	10/10/2022	Rotherham Metropolitan Borough Council	Maturity	0.90	5,000
Deposit	Fixed	10/01/2022	09/01/2023	Thurrock Council	Maturity	0.75	5,000
<b>Deposit</b>	Fixed	25/01/2022	24/01/2023	Liverpool City Council	Maturity	0.25	5,000
<b>Deposit</b>	Fixed	01/02/2022	31/01/2023	Thurrock Council	Maturity	0.75	5,000
<b>Deposit</b>	Fixed	15/02/2022	15/08/2022	Slough Borough Council	Maturity	1.10	5,000
<b>Deposit</b>	Fixed	30/03/2022	30/09/2022	Spelthorne Borough Council	Maturity	0.90	5,000
<b>Fixed Total</b>							<b>55,000</b>
Deposit	Variable	10/05/2016	-	Bank of Scotland (Call A/c)	Variable	0.70	7,105
Deposit	Variable	11/08/2020	-	Santander (95d)	Variable	0.45	7,000
Deposit	Variable	11/08/2020	-	Santander (95d)	Variable	0.25	3,000
<b>Call Total</b>							<b>17,105</b>
<b>Overall Total</b>							<b>72,105</b>

## Section 9 Other Issues

- 9.1 **Sources of borrowing** - Although PWLB remains a low risk source of long term borrowing due to recent rate changes and the ongoing consultation with local authorities on the future of PWLB borrowing other borrowing institutions may be looked at to remove the reliance on PWLB for long term borrowing needs.
- 9.2 **Changes in risk appetite** - The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. South Ayrshire Council has a low risk appetite and as such would look at all aspects before making any changes to the current strategy and members would be made fully aware of any such changes.
- 9.3 **IFRS 16** - The implementation of IFRS 16 bringing currently off-balance sheet leased assets onto the balance sheet has had an additional delay and not now due to be implemented till 2024/25. Work had been progressed in this area throughout 2021/22 which should make future requirements easier to implement.

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	<b>Treasury Management Annual Report 2020/21</b>
Lead Officer (Name/Position/Email)	Tim Baulk Head of Finance and ICT <a href="mailto:Tim.Baulk@south-ayrshire.gov.uk">Tim.Baulk@south-ayrshire.gov.uk</a>

**2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts**

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	No	No
Disability	No	No
Gender Reassignment (Trans/Transgender Identity)	No	No
Marriage or Civil Partnership	No	No
Pregnancy and Maternity	No	No
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	No	No
Religion or Belief (including lack of belief)	No	No
Sex – gender identity (issues specific to women & men or girls & boys)	No	No
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No	No
Thematic Groups: Health, Human Rights & Children's Rights	No	No

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

<b>Socio-Economic Disadvantage</b>	<b>Negative Impacts</b>	<b>Positive impacts</b>
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

**4. Do you have evidence or reason to believe that the policy will support the Council to:**

<b>General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty</b>	<b>Level of Negative and/or Positive Impact (High, Medium or Low)</b>
Eliminate unlawful discrimination, harassment and victimisation	Low Impact
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low Impact
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low Impact
Increase participation of particular communities or groups in public life	Low Impact
Improve the health and wellbeing of particular communities or groups	Low Impact
Promote the human rights of particular communities or groups	Low Impact
Tackle deprivation faced by particular communities or groups	Low Impact

**5. Summary Assessment**

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<b>YES</b> <input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/>
<b>Rationale for decision:</b> This report presents to the Panel the annual report of treasury management activities for 2020/21. Their decision on this has no specific equality implications.	
<b>Signed :</b> Tim Baulk	<b>Head of Finance and ICT</b>
<b>Date:</b> 13 May 2022	