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Wellington Square  
AYR KA7 1DR  
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21 June 2023

**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, 28 June 2023 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 and Regulatory Services

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

1. Declarations of Interest.
2. Minutes of previous meeting of 31 May 2023 (copy herewith).
3. Action Log and Work Programme (copy herewith).

### **External Audit Reports**

4. External Audit – Audit Dimensions and Best Value Report 2022/23 – Submit report by the Head of Finance, ICT and Procurement (copy herewith).
5. External Audit Reports – Progress to 31 March 2023 – Submit report by the Head of Finance, ICT and Procurement (copy herewith).
6. Best Value Thematic Work in South Ayrshire Council 2022/23 - Submit report by the Chief Executive (copy herewith).

### **Internal Audit Reports**

7. Annual Accounts 2022/23 – Submit report by the Head of Finance, ICT and Procurement (copy herewith). Appendices 1 and 2 are to follow.
8. Corporate Lets – Submit report by the Director of Strategic Changes and Communities (copy herewith).
9. Internal Audit Annual Report 2022/23 - Submit report by the Chief Internal Auditor (copy herewith).

### **Other Governance Reports**

10. Delivering Good Governance – 2022/23 Assessment – Submit report by the Head of Legal and Regulatory Services (copy herewith).
11. Treasury Management Annual Report 2022/23 – Submit report by the Head of Finance, ICT and Procurement (copy herewith).

For more information on any of the items on this agenda, please telephone Andrew Gibson, Committee Services on 01292 612436, Wellington Square, Ayr or  
e-mail: [committeeservices@south-ayrshire.gov.uk](mailto:committeeservices@south-ayrshire.gov.uk)  
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**AUDIT AND GOVERNANCE PANEL.**

Minutes of a hybrid webcast meeting on 31 May 2023 at 10.00 a.m.

Present in  
County Hall: Councillors Peter Henderson (Chair), Kenneth Bell, Brian McGinley, Cameron Ramsay, Gavin Scott and George Weir.

Present  
Remotely: Councillor Chris Cullen.

Apology: Councillor Mary Kilpatrick.

Also  
Present  
in County Hall: Councillors Ian Cavana, Alec Clark, Ian Davis and Martin Dowe.

Attending in  
County Hall: E. Howat, Chief Executive; J. Bradley, Director of Strategic Change and Communities; T. Baulk, Head of Finance, ICT and Procurement; G. Hunter, Assistant Director – Communities; W. Carlaw, Service Lead – Democratic Governance; J. Tait, Service Lead – Thriving Communities; N. Gemmell, Service Lead – Revenues and Benefits; C. McGhee, Chief Internal Auditor; D. Urquhart, Senior Investigations Officer; A Gibson, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending  
Remotely: L. Duncan, Chief Finance Officer, Health and Social Care; and A. Kerr, Audit Scotland.

**Opening Remarks.**

The Chair

- (1) welcomed everyone to the meeting; and
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live.

**1. Sederunt and Declarations of Interest.**

The Chair called the Sederunt for the meeting and having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct. It was noted that Councillor Weir, who was a Member of this Panel and who was one of the Members responsible for the call-in (item 2 below) would not be able to vote on the item with the other Panel Members and would require to leave the meeting prior to the Panel's deliberations on this matter.

2. **Call in from Cabinet of 23 May 2023 – “Temporary Senior Communities Officer - Glendoune”.**

Reference was made to the Minutes of the Cabinet of 23 May 2023 (Page 5, paragraph 9) when the Cabinet had decided to approve funding of £50,000, to be used to extend the temporary Senior Communities Officer post for a further twelve months to build on the positive work that had been established in the area.

A response by officers to the matters raised in the call-in had been issued prior to the meeting.

The Panel was advised that the report had been the subject of a call-in ([copy herewith](#)), details of which were outlined by Councillor George Weir when he introduced and spoke to the call-in. He advised that, in his opinion, premises not already having been secured for a community space in Glendoune for Glendoune Community Association, was a backwards step and asked if there was a legal requirement for the Council to provide the current adjacent tenant, Girvan Attractions with accommodation. He also acknowledged the excellent work that had been undertaken by the Temporary Senior Communities Officer. The Service Lead – Thriving Communities advised that the Council was committed to developing the space at Glendoune and that, to date, no suitable alternative accommodation for the adjacent tenants had been secured; and that alternative options to provide funding in the future, such as the UK Prosperity Fund, could potentially be used for this purpose. The Head of Finance, ICT and Procurement confirmed that, as this was Covid Recovery funding and was allocated from central government, the funding allocated for capital purposes could be used for revenue purposes. He also confirmed that Covid Recovery Funding was allocated for a two year period which was due to end in June 2023.

The Chair advised that it was important that training for officers and Members in relation to the requirement for Equality Impact Assessments in Panel reports was rolled out as soon as possible.

Following questions from Members of the Panel, it was noted that the current adjacent tenants, were a key organisation in Girvan and that the sites which had been looked at so far for their relocation had been unsuitable, but it was hoped to identify new premises for them in the next six to twelve months.

A Member of the Panel advised of his concern that Girvan Attractions were still in this site, when it had originally been a temporary arrangement.

The Portfolio Holders for Tourism, Culture and Rural Affairs and Corporate and Strategic spoke on behalf of the decision taken at the Cabinet meeting on 23 May 2023 and reiterated the good work that Girvan Attractions did and the importance of finding them suitable accommodation to continue their good work.

Following a question from a Member of the Panel, it was noted that officers would actively look to extend the post of the Temporary Senior Communities Officer after the funding had expired in twelve months time with external funding.

The Director of Strategic Change and Communities advised of the ongoing work with colleagues in the Estates Section of the Council to establish suitable alternative accommodation for Girvan Attractions. She also advised of the importance of not alienating the Group and to let them to continue the good work they did in Girvan.

A Member of the Panel advised that workforce planning should consider the challenges of many posts on the front-line in the Council being temporary and the difficulties this brings. Another Member of the Panel advised that, as this post was temporary, it was not a great motivator to the individual in post.

The Chief Executive reminded members of the options open to this Panel in determining this call-in.

As previously indicated, Councillor Weir left the meeting at this point.

A Member of the Panel moved a Motion that the decision of the Cabinet of 23 May 2023 be upheld and requested a roll-call vote. Another Panel Member seconded this.

The Panel agreed to adjourn for five minutes.

Upon reconvening, the Service Lead – Democratic Governance called the roll as follows:-

Councillor Henderson – Motion  
 Councillor Bell – Motion  
 Councillor Cullen – Motion  
 Councillor McGinley – Motion  
 Councillor Ramsay – Motion  
 Councillor Scott - Motion

The Panel therefore, following review

**Decided:** to uphold the decision of the Cabinet.

Councillor Weir re-joined the meeting at this point.

### 3. **Minutes of Previous Meeting.**

The Minutes of the meeting of 22 May 2023 ([issued](#)) were submitted and approved.

### 4. **Action Log and Work Programme.**

There was submitted an update of the Action Log and Work Programme for this Panel ([issued](#)).

The Head of Finance, ICT and Procurement provided the Panel with an update of the status of the Action Log and Work Programme outlining that there were no outstanding actions at present.

The Panel

**Decided:** to note the current status of the Action Log and Work Programme.

## **External Audit Reports.**

### **5. Audit Scotland – Integration Joint Boards – Financial Analysis 2021/22.**

There was submitted a report ([issued](#)) of 17 May 2023 by the Head of Finance, ICT and Procurement advising of the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22'.

Members of the Panel advised that although the issues had been identified, there required to also be solutions identified. It was further noted that there were difficulties in attracting people to work in this sector and concerns expressed that the aging workforce put further pressure on this Service. The Chief Finance Officer, Health and Social Care advised that there was a Workforce Plan in place to mitigate issues and that attempts were being made to recruit staff into the Sector, such as working with colleges.

A Member of the Panel advised that the aging demographic in South Ayrshire was a concern.

Following an issue raised by a Member of the Panel in relation to Members requiring information to be issued to them earlier, it was agreed that the Chief Executive would look at providing Audit Scotland Reports to Members prior to the issue of Panel papers the week before the meeting.

Having considered the findings outlined in the Audit Scotland report 'Integration Joint Boards – Financial Analysis 2021/22' as detailed in Appendix 1 of the report, the Panel

**Decided:** to note the position in relation to South Ayrshire Council, as outlined in paragraph 4.2 of the report.

### **6. Audit Scotland – Resourcing the Benefit Service - A Thematic Study.**

There was submitted a report ([issued](#)) of 17 May 2023 by the Head of Finance, ICT and Procurement advising of the Audit Scotland report 'Resourcing the Benefit Service - A Thematic Study'.

The Head of Finance and ICT gave an introduction to the report.

Having heard a Member of the Panel enquire about the increasing levels of demand in relation to the Scottish Welfare Fund, the Service Lead – Revenues and Benefits advised of the difficulties the Service faced in supporting the Scottish Welfare Fund. It was further noted that the Service was currently stretched and that resources were finite.

Having considered the findings outlined in the Audit Scotland report 'Resourcing the Benefit Service - A Thematic Study' as detailed in Appendix 1 of the report, the Panel

**Decided:** to note the local arrangements in place, as detailed in paragraph 4.3 of the report.

## Internal Audit Report.

### 7. Corporate Fraud Team – Activity Report and Update on 2022/23 National Fraud Initiative.

There was submitted a report ([issued](#)) of 17 May 2023 by the Internal Audit Corporate Fraud Team

- (1) advising of the Corporate Fraud Team's (CFT) activity from 1 October 2022 to 31 March 2023; and
- (2) providing an update on the progress of the 2022/23 National Fraud Initiative exercise.

The Senior Investigations Officer gave an introduction to the report.

A Member of the Panel advised of the excellent work undertaken the Corporate Fraud Team and that their work should be better publicised

Clarification was sought and provided to a Member relating to Appendix 1 of the report, which showed the activity of the Corporate Fraud Team and that the figures identified were the amount of money that would be lost if the cases had not been investigated.

Having heard a Member of the Panel enquire how the numbers of total target investigations were arrived at, as detailed in Appendix 2 of the report and having heard the Chief Internal Auditor, it was noted that the approach of the Team in respect of the National Fraud Initiative had been agreed at a meeting of the Cabinet in January 2023.

Following a question from a Member of the Panel as to why there were no financial savings listed relating to Covid-19 Business Grants, as detailed in Appendix 1 of the report, the Senior Investigations Officer advised that this information had been reported in previous reports to the Council.

Having heard a Member of the Panel, it was noted that the target National Fraud Initiative investigations being carried out were seen to be of high risk and would be the minimum number of investigations completed.

It was agreed that it would be helpful if a Members' Briefing was provided regarding the work of the Corporate Fraud Team. The Chief Internal Auditor agreed to take this matter forward.

Having considered the CFT activity for the six month period to 31 March 2023, the Panel

**Decided:** to note the update on Corporate Fraud Team activity and the 2022/23 National Fraud Initiative (NFI).

The meeting ended at 11.20 a.m.

## Audit and Governance Panel

Agenda Item No. 4

### Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
1.	31 May 2023	Audit Scotland Reports	<b>To provide Audit Scotland Reports to Members prior to the issue of Panel papers the week before the meeting</b>	Chief Executive	Response from the Chief Executive – “Audit Scotland reports are circulated to all members on receipt together with an indication of when report will be considered by AGP”	<b>YES</b>
2.	31 May 2023	Corporate Fraud Team – Activity Report and Update on 2022/23 National Fraud Initiative	<b>To provide a Members Briefing regarding the work of the Corporate Fraud Team</b>	Chief Internal Auditor	Being organised – will be reported once taken place.	<b>NO</b>



## Audit and Governance Panel

### Work Programme 2023

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1.	<b>Annual Accounts 2022/23</b>	Report to this Panel	Head of Finance, ICT and Procurement	28 June 2023 (Yearly)	Report to this Panel
2.	<b>External Audit – Audit Dimensions and Best Value Report 2022/23</b>	Report to this Panel	Head of Finance, ICT and Procurement	28 June 2023	Report to this Panel
3.	<b>External Audit Progress Reports – Progress to 31 March 2023</b>	Report to Panel	Head of Finance, ICT and Procurement	28 June 2023 (Regular reports throughout the year)	Report to this Panel
4.	<b>Corporate Lets</b>	Report to Panel	Director of Strategic Change and Communities	28 June 2023	Report to this Panel
5.	<b>Delivering Good Governance – 2022/23 Assessment</b>	Report to Panel	Head of Legal and Regulatory Services	28 June 2023 (Yearly)	Report to this Panel
6.	<b>Internal Audit Annual Report 2022/23</b>	Report to Panel	Chief Internal Auditor	28 June 2023 (progress reported quarterly)	Report to this Panel
7.	<b>Treasury Management Annual Report 2022/23</b>	Report to Panel	Head of Finance, ICT and Procurement	28 June 2023 (Annually)	Report to this Panel
8.	<b>Best Value Thematic Work in South Ayrshire Council 2022/23</b>	Report to Panel	Chief Executive	28 June 2023	Report to this Panel

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
9.	<b>Best Value Action Plan 2023/24 - Update</b>	Report to this Panel	Director of Strategic Change and Communities	6 September 2023 (Quarterly)	
10.	<b>Strategic Risk Management</b>	Report to this Panel	Head of Legal and Regulatory Services	6 September 2023 (Biannually)	
11.	<b>External Audit Reports – Progress to 30 June 2023</b>	Report to Panel	Head of Finance, ICT and Procurement	6 September 2023 (Quarterly)	
12.	<b>Internal Audit - Progress Report (i) Progress of Annual Internal Audit Plan 2022/23 (ii) Progress of Annual Internal Audit Plan 2023/24 (iii) Implementation of Internal Audit Action Plans</b>	Report to Panel	Chief Internal Auditor	6 September 2023	
13.	<b>Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee</b>	Report to Panel	Chief Internal Auditor	6 September 2023	
14.	<b>Audit Scotland: Local Government in Scotland Overview 2023</b>	Report to Panel	Director of Strategic Change and Communities	6 September 2023	
15.	<b>Corporate Fraud Team Activity Report</b>	Report to this Panel	Chief Internal Auditor	8 November 2023 (Biannually)	

## Audit and Governance Panel

<b>No</b>	<b>Issue</b>	<b>Actions</b>	<b>Assigned To</b>	<b>Due Date To Panel</b>	<b>Latest update</b>
16.	<b>Annual Audit Plan 2023/24</b>	Report to Panel	Head of Finance, ICT and Procurement	March 2024 (Yearly)	

## South Ayrshire Council

### Report by Head of Finance, ICT and Procurement to Audit and Governance Panel of 28 June 2023

**Subject: External Audit Reports – Progress to 31 March 2023**

#### 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 Final Report on the 2021/22 Audit was presented to the Audit and Governance Panel (AGP) of 23 November 2022 (Special). This report covers progress against the two recommended improvement actions from that report.
- 3.2 The 2021/22 Audit Dimensions and Best Value Audit report to Members was presented to the AGP of 28 June 2022 (Special). There were no new recommended improvement actions arising from that report. Progress against the External Audit actions resulting from the October 2021 Best Value Assurance report were presented to the Audit and Governance Panel on 9 November 2022.
- 3.3 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. Proposals

- 4.1 Progress to 31 March 2023 is summarised below:

Status of External Audit Actions as at 31 March 2023	Completed since 31 Dec 2022	On Target	Not on Target	Total
Annual Report on 2021/22 Audit – Nov 22	1	-	1	2
<b>Overall</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>2</b>

4.2 During the reporting period, one actions was completed, one action is now overdue due to ongoing National discussions. Until these discussions are completed the action will remain outstanding. It is therefore requested that the due date for this action be delayed until 31 December 2023 to allow the discussions to conclude. The latest update against the one outstanding action is provided in [Appendix 1](#).

## **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 Priority 4 of the Council Plan: Efficient and effective enabling services.

## **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 22 June 2022 - [External Audit Reports – Progress to 31 March 2022](#)**


**Report to Audit and Governance Panel of 7 September 2022 – [Best Value Action Plan 2021/22 – Update](#)**

**Report to Audit and Governance Panel of 9 November 2022 – [Best Value Action Plan 2021/22 - Update](#)**

**Person to Contact**    **Tim Baulk, Head of Finance, ICT and Procurement  
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Phone 01292 612620  
Email [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)**

**Date: 16 June 2023**

## External Audit Reports - Showing actions still to be completed

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
EA2021/22 Final report on the 2021/22 Audit	<p><b>Recommendation:</b> The Council should revisit its UEL policy to consider whether alternative UEL's should be set for different types of assets.</p> <p><b>Management Response:</b> Useful Economic Lives for Infrastructure Assets will be considered alongside national guidance and initiatives on this matter.</p>	31-Mar-2023	Tim Baulk; Tom Simpson	13-Jun-2023 National position remains unchanged at present - Statutory override in place for 2022-23. Watching brief on national developments currently in place. Action needs to be delayed for a further 6 months to allow further national discussions to take place.		10%		

**South Ayrshire Council**

**Report by Chief Executive  
to Audit and Governance Panel  
of 28 June 2023**

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**Subject: Best Value Thematic Work in South Ayrshire Council  
2022/23**

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**1. Purpose**

- 1.1 The purpose of this report is to advise the Panel of the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire.

**2. Recommendation**

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

- 2.1.1 considers the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23 (attached as Appendix 1);**
- 2.1.2 considers the draft improvement action plan included in Appendix 1 of the Audit Scotland report; and**
- 2.1.3 provides feedback on the report and action plan and remits the draft Audit Scotland report and improvement action plan to Cabinet on 29 August 2023 for approval.**

**3. Background**

- 3.1 When discussing the Local government in Scotland Overview 2022, the Accounts Commission noted: 'Councils are operating in a complex and increasingly volatile, unprecedented, and unpredictable environment. Strong leadership from Councils is needed now more than ever, with new and returning Councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources'.
- 3.2 [The Accounts Commission's Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities, and recovery. The 2021 Code of Audit practice sets out the Best Value work required to report on these priorities. This includes reporting nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.



- 3.3 As outlined in the Annual Audit Plan 2022/23 reported to the Audit and Governance Panel on 22 March 2023, the audit of Best Value in Councils is fully integrated within annual audit work.
- 3.4 Best Value at the Council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of the Council's approach to demonstrating improvement in the effective use of resources and public performance reporting. Auditors will also follow up findings reported previously in the Council's 2021 Best Value Assurance Report to assess the pace and depth of improvement.
- 3.5 In addition to the annual work on Best Value, thematic reviews as directed by the Accounts Commission will be undertaken. In 2022/23, the focus will be on the effectiveness of Council leadership in developing new local strategic priorities following the elections in May 2022. The conclusions and judgements from this review will be reported in a separate report to management and summarised in the annual audit report to Members.
- 3.6 At least once every five years, the Controller of Audit will report to the Accounts Commission on the Council's performance in meeting its Best Value duties. The programme of Controller reports will commence in October 2023 with South Ayrshire to be the first Council considered by the Accounts Commission in October 2023.
- 3.7 The Commission has directed auditors to report on the effectiveness of the leadership in the development of the Council's strategic priorities.
- 3.8 In carrying out the work auditors have considered the following questions:
- 3.8.1 How clear is the new Council vision and its priorities?
  - 3.8.2 How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the Council?
  - 3.8.3 How effectively do the Council priorities reflect the need to reduce inequalities and climate change?
  - 3.8.4 How good are the delivery plans and is there alignment of financial, workforce, asset, and digital plans with the Council's priorities?
  - 3.8.5 Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

#### **4. Proposals**

- 4.1 The Audit Scotland draft report (attached as Appendix 1) concludes on the effectiveness of the Council's leadership of the development of the Council's strategic priorities, following the recent local government elections.
- 4.2 At exhibit 7 of the draft Audit Scotland report, they also detail their review of the Council's progress against the 2021 Best Value Assurance Report recommendations.

- 4.3 A draft improvement action plan is included at Appendix 1 of the Audit Scotland report. This sets out audit recommendations in key areas, and the Council's planned response including responsible officers and dates for implementation.
- 4.4 Meetings have taken place between Audit Scotland and the Chief Executive/Directors to discuss the initial findings of the Best Value thematic work. The initial findings are based on engagement with Leader and Chair/Vice Chair of Audit and Governance Panel and evidence presented by officers.
- 4.5 The key messages from the draft Audit Scotland report are outlined in Appendix 2.
- 4.6 It is proposed that Members:
- 4.6.1 consider the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23 (attached as Appendix 1);
  - 4.6.2 consider the draft improvement action plan included in Appendix 1 of the Audit Scotland report; and
  - 4.6.3 provide feedback on the report and action plan and remit the draft Audit Scotland report and improvement action plan to Cabinet on 29 August 2023 for approval.

## **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 Rejecting the recommendations would result in reputational damage and criticism from Audit Scotland, the Accounts Commission and the Scottish Government.

## **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 3.

## **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 Priority 4 of the Council Plan: Efficient and effective enabling services.

## **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**     [\*\*Audit Scotland Best Value Assurance Report – South Ayrshire Council – October 2021\*\*](#)

**Report to Audit and Governance Panel of 22 March 2023 -  
[Annual Audit Plan 2022/23](#)**

**Person to Contact**     Eileen Howat, Chief Executive  
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**Date:** 19 June 2023

# Leadership in the development of the council's strategic priorities

Best Value thematic work in South Ayrshire  
Council 2022/23



Prepared by Audit Scotland

June 2023

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# Key messages

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- 1** The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
- 2** Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change.
- 3** The [2021 Best Value Assurance Report](#) said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
- 4** In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
- 5** A performance management framework to report progress against the Council Plan targets is due to be discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023.
- 6** The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
- 7** To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a

place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.

- 8** The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget.
- 9** The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered.
- 10** In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed.
- 11** There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed.
- 12** The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51 per cent of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57 per cent, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils.
- 13** The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
- 14** In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.

- 15** Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
  - 16** Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value, these are included at [Appendix 1](#) of this report. It sets out the council's response to audit recommendations made and we will report on the progress over the term of our audit appointment.
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# Scope of the audit

1. When discussing the Local government in Scotland Overview 2022, the Accounts Commission noted: “Councils are operating in a complex and increasingly volatile, unprecedented, and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of the council’s leadership of the development of the council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities, and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

## Code of Audit Practice 2020 Best Value reporting requirements

### Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate.<sup>1</sup>
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

<sup>1</sup> The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire, and West Dunbartonshire.

**4.** This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership in the development of the council's strategic priorities.



**5.** In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset, and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

**6.** At [exhibit 7](#) of this report, we also detail our review of the council's progress against the [2021 Best Value Assurance Report](#) recommendations.

**7.** An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

**8.** The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003](#), [Best Value Statutory Guidance 2020](#).

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# Council vision and priorities

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The Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. In June 2023, the Council is due to discuss and approve service plans which will include performance targets. These will support meaningful assessment of the plan's outcomes and impact.

**9.** A council focused on achieving Best Value will be able to demonstrate that elected members and officers have a clear vision and priorities for the area.

**10.** [The Local government in Scotland Overview 2022](#) highlighted the pivotal role that Scotland's councils have in supporting and working with communities as they respond to the impacts of Covid-19, with a clear vision and priorities for its area key to this.

**11.** The previous Council Plan 2018-22 was approved in March 2018, with a midterm refresh approved in March 2020. In this plan the council's priorities were:

- Fair and effective leadership: leadership that promotes fairness
- Closing the gap: reduce poverty and disadvantage
- Grow well, live well, age well: Health and care systems that meet people's needs
- South Ayrshire works: Make the most of the local economy
- Stand up for South Ayrshire: Increase the profile and reputation of South Ayrshire and the Council
- A better place to live: Enhanced environment through social, cultural, and economic activities.

**12.** Due to the council elections in May 2022, members agreed in January 2022 that the Council Plan 2018-22 should be extended until March 2023 to allow any new administration time to set its strategic priorities.

**13.** The council set out its new priorities in March 2023, in its Council Plan 2023-28 with its vision 'to make a difference every day'. To achieve this, its priorities, and outcomes, [exhibit 1](#), are aimed at promoting collaboration between services and partners with the plan's place-based approach looking to achieve improved outcomes and wellbeing for the council's communities, the local economy and environment. The 2023 Council Plan set out the new focus for the new council.

## **Prior council consultation responses were used when developing the new Council Plan 2023-28. The council then sought comments from citizens on the proposed priorities**

**14.** The council engaged with the Improvement Service and the priorities and outcomes identified in the Council Plan 2023-28 have been influenced by the Shaping Places for Wellbeing Programme, [Place and Wellbeing Outcomes](#). This is a joint initiative between Public Health Scotland and the Improvement Service which aims 'to improve Scotland's wellbeing by reducing the significant inequality in the health of its people while addressing the health of our planet.' Ayr is one of six project towns chosen for focussed support through the programme since 2022. Activities include local project work, local learning cohort and national leadership cohort discussions. The aim is to find new ways of working, nationally, and locally, to deliver on the Place and Wellbeing Outcomes. This programme provided a framework for the council's new plan. It is too early to identify the impact of this programme in South Ayrshire.

**15.** The council plan says that its priorities 'require the participation and meaningful involvement of those with local lived knowledge of their community.' However, when developing the new council vision, priorities and outcomes, the council did not directly consult with its communities. The council stated this was due to feedback from communities on 'consultation fatigue.' Officers therefore felt that the above programme, with input from elected members and officers as representatives of the community was the best approach to take. Feedback from previous council wide consultations with communities was also used along with Place Plans consultation to help inform the plan. While these are useful ways to gather views from the community, the Best Value guidance is clear that communities should be directly consulted in a council's strategic planning.

**16.** After the priorities and outcomes were identified, the council undertook a public online consultation on the new plan which ran from 20 December 2022 to 10 February 2023. It is not clear how the feedback from this consultation impacted on the council's plans. Work is now ongoing to develop the detailed service plans and new performance management framework due to be considered by the Council in June 2023, with the first performance reporting on the new Council Plan scheduled for November 2023.

## Exhibit 1

### Council Plan 2023-28 priorities and outcomes

Priority	Outcomes
1. Spaces and Places	<p><b>Moving around and the environment:</b> Everyone can access streets, places and spaces that are well connected, well designed, and maintained.</p> <p><b>Play, Sport and Recreation:</b> Everyone can access a range of high quality, safe, well maintained, accessible places with opportunities for play, sport, and recreation.</p>
2. Live, Work, Learn	<p><b>Education and lifelong learning:</b> Everyone benefits from high quality education and lifelong learning and is supported to learn and fulfil their potential.</p> <p><b>Work and economy:</b> Everyone benefits from a local economy that provides opportunities for people and helps our businesses flourish.</p> <p><b>Housing:</b> Everyone can find a good quality home that they can afford, that meets their needs and is in an area where they feel safe and connected.</p>
3. Civic and Community Pride	<p><b>Pride in South Ayrshire:</b> Everyone (residents, visitors, and tourists) can enjoy attractive destinations and people are proud to live in our towns and villages and celebrate our culture and heritage.</p> <p><b>Community Engagement:</b> Everyone has the opportunity to influence and contribute to what happens in their local area.</p>

Source: South Ayrshire Council

**17.** Alongside these priorities, the plan highlights cross-cutting strategic themes. These will be considered by the council in all its decision making to ensure key national and local priorities are always considered when it is developing new policies, strategies, and initiatives. These cross-cutting themes are:

- Equalities and the Fairer Scotland Duty
- United Nations Convention on the Rights of the Child (UNCRC)
- Sustainability, climate change and biodiversity

- Our Ageing Population
- Trauma Informed Practice
- The Promise
- Best Value.

**18.** The council has committed to including the above themes in a new integrated impact assessment it is developing. It anticipates that this will encourage council services to explore where priorities overlap with its partners, allowing for a more joined up approach to tackling shared strategic challenges. The Integrated Impact Assessment approach is due to be approved by Cabinet in September 2023.

**19.** The council plan also recognises the important role that enabling services such as Finance, IT and Procurement play in contributing to the achievement of the plan's priorities and outcomes.

**20.** The vision, priority areas and associated outcomes in the new Council Plan provide a high-level strategic framework for the council. Focus is now needed from the detailed service plans. These will contain the measurable actions to which the success and impact of the plan will be measured against.

### **The Local Outcomes Improvement Plan (LOIP) is due to be refreshed. Alignment with the Council Plan is being considered as part of this**

**21.** The Council Plan says that its priorities drive collaboration between services and partners. South Ayrshire Community Planning Partnership (CPP) has two strategic themes as agreed areas of focus for the LOIP. These are:

- supporting older people to live in good health.
- closing the poverty-related outcomes gap for children and young people.

**22.** Under the strategic themes there are five supporting improvement priorities:

- reducing social isolation and loneliness
- support for people living with dementia and their carers
- improving outcomes for care experienced children and care leavers
- providing support for young people who are carers
- employability and lifelong learning.

**23.** The [2021 Best Value Assurance Report](#) (2021 BVAR) commented positively on the structure and content of the LOIP. This has helped partners to focus on the small number of improvement priorities, noted above, where joint working is

likely to be most effective, with these improvement priorities linking well into the LOIP's two wider strategic themes.

**24.** The CPP refreshed its LOIP in 2019 to reflect work on mental health issues, building safer communities and tackling violence against women. The latest annual progress report on the LOIP was published in October 2022. Work will take place during 2023 to refresh the LOIP to identify a new set of priority areas for it from April 2024 onwards. The council's revised priorities and service delivery plans are being considered when developing the new LOIP.

**Despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan. A performance management framework for the Council Plan targets is due to be discussed by the Council in June 2023**

**25.** The next step for the council is to clearly set out what performance it wants to achieve in its priority areas. To report effectively on its progress towards meeting its priorities, new service plans have been developed by each council service. These are due to be submitted to members for review and scrutiny in June 2023. From our review of the proposed service plans, we are pleased to see that they show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact.

**26.** Previously, performance against each of the priorities in the Council Plan was reported to members once a year. The council has committed to more regular reporting on progress. Service plans will be monitored by Council Leadership Team quarterly, with reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. Elected members will also be retrained on Pentana and shown how to view real time updates on all service plans. An annual report will be produced every December for approval by Council. Any new additions to the Council Plan or completed targets removed will go to the S&PP Panel and thereafter to Council for approval.

**27.** The council's 2021 BVAR was critical of its performance management framework and reporting, including its use of key performance indicators. Targets were not assigned to these which made the monitoring of performance, and outcomes, against each priority area of the Council Plan 2018-22 difficult to determine. However, the pace of change in response to this 2021 BVAR recommendation has been slow. The council updated its performance management framework in 2022. At the time officers explained that it was considered difficult to set retrospective targets for all areas of the old Council Plan and instead focus was on ensuring the required improvements were made to the new plan.

**28.** In August 2022, the council reported its 2021/22 performance against 81 measures associated with achieving the strategic objectives from its Council Plan 2018-22 (extended until 2023). Only three of these measures had targets and so it is difficult to ascertain how performance differed from what was expected. Further performance reports were produced in November 2022 and April 2023, but they only included information on the 23 indicators that could be

reported quarterly. The April 2023 report noted that the next performance report will relate to the new Council Plan 2023-2028 and is scheduled to be presented in November 2023.

#### Action plan recommendation 1

**29.** The council's annual performance report, considered by members in December 2022, remains focused on areas of positive performance with less information about areas of poorer performance and how they will be addressed. The annual performance report is organised around the council's priorities, but the lack of a summary and dearth of targets meant it was difficult to ascertain the council's progress against its priorities. The plans for performance measures with agreed targets should allow the council to effectively monitor and demonstrate progress against its new Council Plan priorities.

### **The council should review the content of the performance section of its website to ensure its reporting is clear and balanced and meets the requirements of the new statutory performance indicator direction**

**30.** The quality of public performance reporting still has scope for improvement, particularly in relation to the accessibility of the information published on the council's website. The council does have a dedicated public performance reporting webpage, but there is a lack of up-to-date information published on this. Additionally, the performance reports lack a summary of how many indicators have improved or declined, as a whole or by priority area, making it difficult to get an overall sense of how the council is doing against each priority. The council has not yet set out how it will report performance relating to January – March 2023 and its annual performance against the former plan for 2022/23.

**31.** The Accounts Commission issued a new [Statutory Performance Information Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

**32.** The council should review the content of the performance section of its website to ensure it meets the requirements of the new SPI direction.



## The council's overall performance per national benchmarking shows an improving position over time

**33.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

**34.** The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

**35.** Due to the difficulty in assessing the council's progress based on its own performance reporting, we have considered the results of the latest LGBF data.

**36.** The most recent [National Benchmarking Overview Report 2021/22](#) by the Improvement Service was published in March 2023. This report will be considered by the council's Service and Partnerships Performance Panel in June 2023 along with council specific commentary on where improvement activity is planned or already underway.

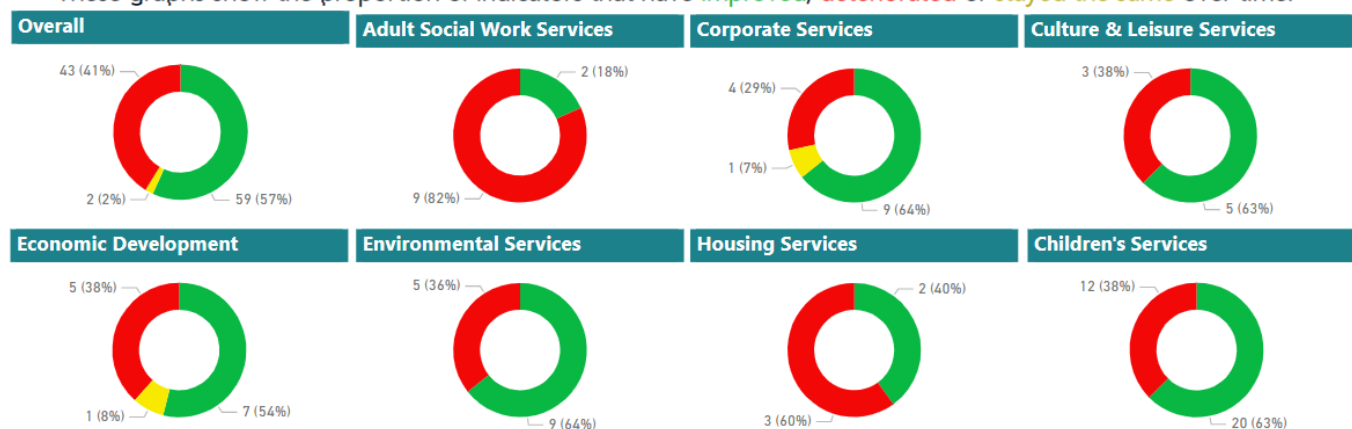
**37.** In analysing the LGBF data it is recognised that local policy choices about council services and strategic priority areas will have an impact on the results. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population, such as that of South Ayrshire, increases demand for social care services. Rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

**38.** At April 2023, [exhibit 2](#) shows the council's 2021/22 performance across services when compared with the relevant data's base year. Based on the indicators within each service area, the council shows an overall improving position over time.

### Exhibit 2

#### South Ayrshire Council LGBF results – trend since base year

These graphs show the proportion of indicators that have **improved**, **deteriorated** or **stayed the same** over time.



Source: Improvement Service – LGBF 2021/22

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**While the 2021/22 indicators reflect challenges with adult social care services, a recent inspection reported a ‘good’ assessment in all areas, with particular strengths identified in integrated working and leadership**

**39.** In line with national pressures the indicators reflect challenges with adult social care services. The council has been focussed on making improvements in the services and expect the 2022/23 indicators to reflect an improving picture in some areas.

**40.** A February 2023 joint inspection by the Care Inspectorate and Healthcare Improvement Scotland concluded a ‘good’ assessment in all areas covered, with particular strengths identified in integrated working and leadership. The report acknowledged the significant demands placed on the service due to high levels of deprivation, a growing and ageing population, and the impact of the pandemic.

**41.** Particular ongoing challenges with the number of delayed discharges are a focus for the council. South Ayrshire Council is the worst performing council for delayed discharges in Scotland and has been one of the three poorest performing councils in each of the past four years. Its average delayed rate of 179 days for 2021/22 is significantly worse than the national average (77 days) and since the base year (107 days in 2016/17) there has been a clear decline in this area.

**42.** In its January 2022 [Social care briefing](#) Audit Scotland noted that current issues experienced by the social care sector, for example workforce pressures, are being felt nationally. The council notes that workforce challenges around recruitment and retention have led to a reduction in the capacity within in-house and external care provision in care at home and care homes. This has resulted in a significant increase in the number of people and the length of time that they must wait. South Ayrshire Council has a high proportion of commissioned care (around 80 per cent). These care providers have struggled to recruit and retain staff, even more so than the council. As a result, the number of commissioned hours has fallen from 10,000 hours pre-pandemic to 6,700 hours per week. As well as working with its partners, including the South Ayrshire Integration Joint Board, in response to these issues, the council has taken the following actions:

- Establishment of a new team to review those awaiting care
- 10 additional beds in council run home
- Support from other parts of the council's workforce
- A dedicated post to improve recruitment
- A new fast track training course in partnership with Ayrshire College which includes 12 hours paid employment and guarantee of interview.

**43.** Officers have also highlighted areas of performance not covered by the LGBF, for example mental health services, where investment in work with adults with incapacity and provision of reports where people require compulsory detention is recognised as high performing by the Mental Welfare Commission.

**Housing performance has declined in three out of the five indicators but improvements in the service have been made and all indicators in this area are in the top two quartiles**

**44.** The council's Local Housing Strategy (LHS) 2017-2022 is part of the capital programme with a delivery target of 675 affordable homes over the five years of the strategy. The strategy was subsequently extended to March 2023, with a revised target of 844. Despite delays caused by the Covid-19 pandemic, the council and its partners have sustained a steady pace in affordable housing completion. The council estimates that 748 properties will have been delivered by March 2023.

**45.** The council's new LHS 2023-28 is currently under development and is due for approval in August 2023. The LHS has taken into consideration fuel poverty, the rising living costs together with the need to improve the efficiency of homes from both a social and environmental perspective. To ensure homes are affordable, rent levels for new build properties will be set on or below the local housing allowance and new build properties will aim to be cheaper to heat through measures that will include enhanced floor and roof insulation. As well as being cheaper to run, improvements to energy efficiency will help the council meet outcomes set out in its Climate Change and Sustainable Development Strategy 2019-2024.

**46.** The council is in the top five councils in Scotland in terms of the percentage of council dwellings that meet the Scottish Housing Quality Standards and the proportion of council dwellings that are energy efficient. For all five Housing Services indicators in 2021/22, the council is in the top two quartiles nationally, up from 60 per cent in the top two when compared with the data's base year (2013/14).

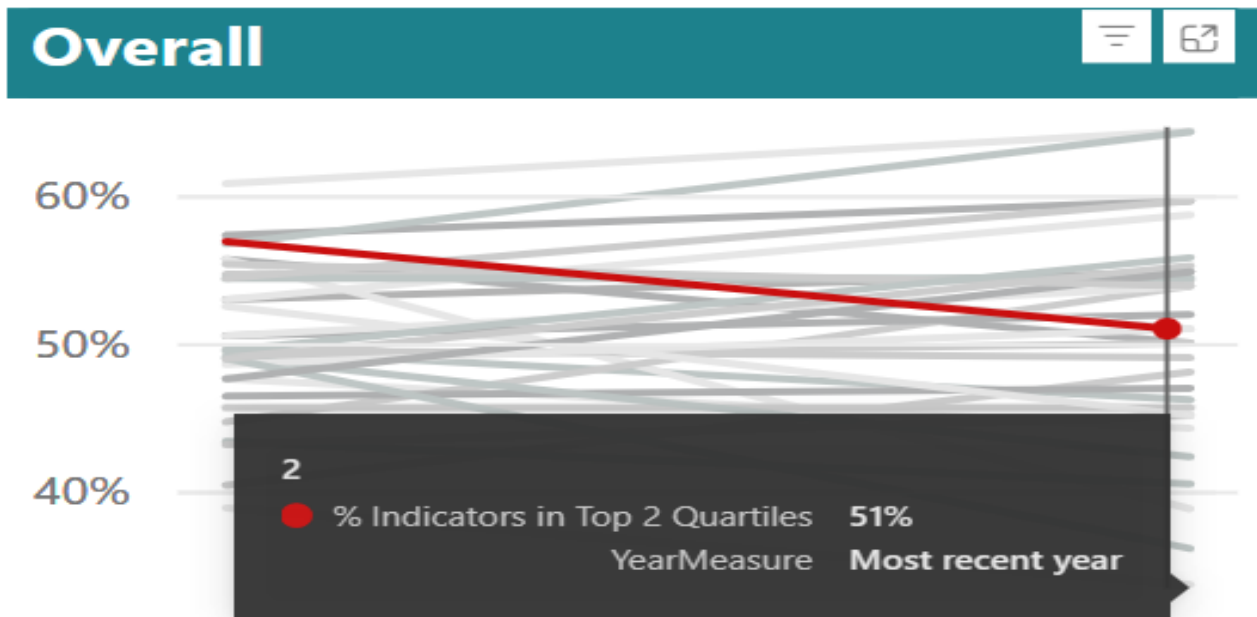
**47.** Performance relating to loss of income from rent arrears and voids is strong, with both significantly below the national average.

**While 51 per cent of national indicators are in the top two quartiles of councils, this has fallen from 57 per cent, showing the rate of service improvement has slowed compared to others**

**48.** Of the 104 indicators reported in the 2021/22 LGBF data, 59 (57%) of these have improved for the council since the base year. However, the number of indicators in the top two quartiles has decreased from 57% in the base year to 51% in 2021/22 ([exhibit 3](#)). These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

**Exhibit 3**

**Proportion of indicators in the top two quartiles from the base year to 2021/22**



Source: Improvement Service – LGBF 2021/22

**49.** Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all the services they currently provide. This means that councils will need to make increasingly difficult choices about what their service and performance priorities are.

**50.** South Ayrshire Council should use the LGBF data alongside its engagement with its communities to assess its local performance and priorities. The performance of the council could also be compared with neighbouring or similar councils to assess the effectiveness of its investment in priority areas and to inform and identify where improvements and better outcomes for its communities can be achieved.

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# Citizen and community engagement

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**51.** Councils, with their community planning partners, have a responsibility to ensure that people and communities can be fully involved in the decisions that affect their everyday lives. Recovery from the pandemic will require councils to work alongside their local communities. There must be a focus on getting the services people need in place as pressures and stresses escalate and impact the day to day lives of individuals and communities.

**52.** Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

## **The council developed a Community Engagement Strategy in 2020, but there is no evidence of the council assessing whether it has improved community engagement**

**53.** The council developed a Community Engagement Strategy in 2020 which provides an overview of the council's approach to effective community engagement. The [2021 Best Value Assurance Report](#) (2021 BVAR) reported that this was developed to ensure a consistent approach to engagement across the council and to improve the council's assessment of the impact of engagement to inform future engagement activities. The strategy identifies ways in which the council consults with and empowers its communities and sets out an action plan to monitor progress. All actions are noted as complete, including delivering awareness raising sessions on community consultation and engagement. Although the actions are completed, the council acknowledges that improving learning and training around consultation will continue, with community engagement being a key priority within the Thriving Communities service which was approved in June 2021.

## **There was engagement with elected members, partners, and employees in the development of the Council Plan 2023-28 but no direct community engagement**

**54.** The new Council Plan 2023-28 (the Plan) was developed following consultation with elected members, partners, and employees. The "Our Council Plan Survey" detailed the three key priorities and outcomes and asked for comments and suggestions on the proposals. [Paragraphs 14 and 15](#) explain why there was no direct community engagement in developing the plan.

## **Community empowerment is reflected in the council's priorities, however improvements can be made to evidence how the results of community engagement are reflected in decisions taken by the council**

**55.** The Plan outlines three priorities, each underpinned by a set of outcomes which will help the council in identifying where priorities are being achieved. Priority three is "Civic and Community Pride" which is supported by the outcome of community engagement, where everyone has the opportunity to influence and contribute to what happens in their local area.

**56.** Following a recommendation in the 2021 BVAR, an annual log of all consultations and engagement was published on the council website in April 2023. This outlines that 51 consultations have taken place throughout 2022-23. The log provides details of each of the consultations that took place and their results. The areas covered by these consultations are wide ranging, including travel, housing, and education. Whilst publishing the results of each consultation provides transparency and feedback on the needs of citizens, the council could take this a step further by evidencing how the results of these surveys have impacted on the decisions taken by Council.

## **The council engaged with its communities in setting the 2023/24 budget**

**57.** As part of the 2023/24 budget setting process, the council published a number of videos on the council website and social media platforms to outline the budget setting process, the likely funding available to the council and the potential budget gaps. These videos were followed by a budget consultation released in January 2023.

**58.** The consultation received over 300 responses and included 18 questions, the first six of which were aimed at gathering views on specific issues that would feature in the final budget. Residents were asked their views on areas such as council tax increases, increases to current fees and charges and reductions in services. The responses have been reflected in the final budget agreed by Council on 1 March 2023. For example, the council took the decision to take a combined approach and increase council tax as well as fees and charges, however, no new charges in areas such as bin collections or electric vehicle charging facilities were introduced for 2023/24, in line with the majority of responses. Following the budget being agreed a final budget video was released explaining the decisions that had been taken.

## **Work is required to develop a Community Planning Partnership (CPP) based engagement strategy**

**59.** As part of the CPP structure, a Communities Reference Group was established to inform the process of widening community engagement within a community planning setting. In November 2022, the group held an annual community planning webinar event where twelve webinars were held providing an overview of wider community planning activity to support local communities.

These webinars included improving place and wellbeing, addressing poverty, engagement, and learning.

**60.** The Communities Reference Group has recently been refocused to become a Community Engagement Co-ordination Group (CECG) acting as the focal point for the co-ordination of collective engagement activity. Work has been taking place to develop a new terms of reference for the group and planned areas of work have been identified, such as the development of a CPP based engagement strategy that is supported by CPP partners. It is proposed that the group will co-ordinate and monitor consultation across the CPP and continue to engage with the third sector.

**The council is taking a place-based approach to planning services. Community engagement has taken place and priorities have been identified for all Place Plans but the publication of these has been slow with a lack of resource impacting on their delivery**

**61.** The Community Empowerment (Scotland) Act 2015 requires community planning partnerships to produce a locality or neighbourhood plan for each locality it has identified as experiencing significantly poorer outcomes. In South Ayrshire locality plans are known as 'place plans'. These were to be in place by October 2017.

**62.** As reported in the [2021 Best Value Assurance Report](#) (2021 BVAR), the council published Place Plans (locality plans) for Ayr North and Girvan following extensive consultation in 2019 to identify community priorities and actions for change. Following on from these pilot areas, the council committed to working with communities to improve 'placemaking' across South Ayrshire to deliver Place Plans across South Ayrshire's communities.

**63.** However, work to publish the remaining Place Plans has been slow. In late 2021 and early 2022, conversations were held across South Ayrshire to help identify priorities. This was followed by a further round of community conversations in the Summer and early Autumn 2022. These aimed to build on the priorities and identify actions that would form the basis of individual Place Plans that were due to be published by the end of 2022. Whilst the priorities have been identified for all remaining areas, these Place Plans are yet to be approved by members and published.

[Action plan recommendation 2](#)

**64.** The council is currently recruiting, on a 12-month temporary basis, a Team Leader to help develop the remaining Place Plans using the data and information from the place planning sessions. At the time of writing, the timescales for the publication of the remaining Place Plans remains unknown.

**65.** The council says it has adopted a place-based approach to its new Council Plan. To ensure the effective delivery of the outcomes associated with the plan, there is a pressing need to effectively resource this service and publish the remaining Place Plans.

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# Reducing inequalities and tackling climate change

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The commitment to reducing inequalities is expressed through a reference to 'everyone' in the community benefitting from each outcome in the Council Plan. Equalities is a cross cutting theme to be considered when decisions are made. It is not clear how the council will measure its success in reducing inequalities and this needs to be clarified

**66.** Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality, and promoting fairness, respect, and dignity for all citizens, alongside a focus on sustainable development, including climate change.

**67.** Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.

**68.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) report highlights that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal support those most affected and addresses inequalities to create a fairer, more socially just economy for their citizens.

**69.** The council's new priorities and outcomes, as set out in [exhibit 1](#), do not include a specific reference to reducing inequalities. Each outcome includes 'everyone,' signifying all members of the community rather than targeting specific groups, e.g. Everyone benefits from high quality education and lifelong learning and is supported to learn and fulfil their potential. One of the Community Planning Partnership's eight strategic outcomes is 'Reducing inequalities and improving outcomes'.

## [Action plan recommendation 3](#)

**70.** The council did not directly consult equality groups in the early stages of developing its new priorities and outcomes in Summer 2022. Instead, it decided to review feedback from council-wide consultations from the previous two years. As noted at [paragraph 15](#), at a later stage the council did engage more widely with its citizens and communities but there is little evidence of this influencing its priorities and outcomes. The equality impact assessment completed for the Council Plan 2023-28 notes that Moving forward we will continue our



community conversation with target groups such as, the Youth Forum, Older People's Forum, Lived Experience Forum, and Community Councils.

**71.** In June 2021, the council agreed a programme of Covid-19 recovery activity to use the additional funding available to it at that time. While no specific exercise was undertaken by the council to identify those most affected by the pandemic, bids that were agreed had to meet specific criteria, including how the proposals linked to Covid-19 and to the council's priorities. The most cited council priorities in successful bids, from the Council Plan 2018-22, were Closing the gap: reduce poverty and disadvantage and Fair and effective leadership: leadership that promotes fairness.

**72.** Examples of successful bids included:

- providing financial assistance for tenants in social housing and in the private rented sector at risk of homelessness
- supporting parents of babies to reduce social isolation and improve outcomes, particularly early language, and communication skills, in areas of deprivation by providing free parent and baby classes
- providing a dedicated community space and community worker in Glendoune, one of South Ayrshire's most deprived areas, to improve outcomes for people living in the area.

**73.** The council has confirmed that all Covid Recovery plans have been completed with some actions continuing as 'business as usual.' Changes to service delivery such as the expansion of digital access and expanded partnership working as a result of the pandemic have been subsumed into ongoing plans.

### **The Council Plan's commitment to supporting Human Rights is included in its references to reducing inequalities**

**74.** There is legislation that covers human rights. Taking a human rights-based approach is about making sure that people's rights are put at the centre of policies and practices and giving people opportunity to realise those rights. Councils can make explicit reference to the work they do to promote this or reflect it as part of their plans to reduce inequalities. The new Council Plan does not explicitly refer to human rights. The accompanying equality impact assessment does list five outcomes, from the Plan, the council thinks will have a positive impact on human rights - community engagement, moving around and the environment, education and lifelong learning, work and the economy and housing. However, no fuller explanation is provided around what the positive impact will be, and no risks are identified, or mitigation measures set out.

## **The council uses equality impact assessments that incorporate the Fairer Scotland duty and human rights considerations. It is currently developing a new integrated impact assessment approach**

**75.** The council completes an equalities scoping template for all proposals being submitted for approval by Panel or full Council. If the policy is deemed to have a high or medium relevance to equality, then a full equality impact assessment will be conducted. The council has developed detailed guidance with examples for those filling in the templates and assessments. As well as referring to protected characteristics and socioeconomic disadvantage associated with the Fairer Scotland duty, these include the need to detail how the proposed policy supports or inhibits the human rights of the communities affected by the policy.

**76.** The most recent full equality and impact assessment completed, at the time of writing, was on the Council Plan 2023-28. It is unclear whether this was conducted when the Plan was being developed or later in the process as it is not dated. No negative impacts were noted for any group or community although evidence gaps were noted around budget uncertainty and service planning. Actions to mitigate these were the development of a service planning process for the new plan and updating the performance management framework.

**77.** A working group has been established to develop a new integrated impact assessment approach, due to be submitted for approval by Cabinet in September 2023. All elements of the current equality impact assessment process are to be incorporated into the new approach that has seven cross-cutting strategic themes ([paragraph 17](#)). These themes, which include equalities and the Fairer Scotland duty, as well as the United Nations Convention on the Rights of the Child (UNCRC), will be considered by the council when it is developing new policies, strategies, and initiatives. Once the new system has been agreed, new guidance is to be issued to staff along with appropriate training. The council also plans to capture its progress on inequalities, poverty and addressing fairness issues through this new approach.

## **Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes but it is unclear how progress will be measured.**

**78.** Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than COVID.' The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

**79.** As explained in [paragraph 17](#), sustainability, climate change and biodiversity, together, is one of seven cross-cutting themes that the council plans to include in a new integrated impact assessment by September 2023. It

is not yet clear, as this approach is still being developed, how progress on addressing climate change will be driven and how the integrated assessment will link with the council's Sustainable Development and Climate Change Strategy, due to be updated in 2024. The council has committed to spending £450,000 on addressing climate change in 2023/24.

#### Action plan recommendation 4

**80.** In the Accounts Commission's September 2022 briefing, [Scotland's councils' approach to addressing climate change](#), it was noted that plans should include greater clarity on how targets and timescales will be achieved. The reports also reaffirmed the important role that citizens will have and the need for strong partnership working. As a cross-cutting theme it is not clear how progress will be measured in the council.

**81.** The council did not formally declare a climate emergency in 2019 when other councils in Scotland did. Instead, in October 2020, the council aligned itself with the Scottish Government's targets, adopting a 75 per cent reduction in emissions target by 2030 (using 2014/15 as a baseline) and a target of net zero emissions by 2045. Like all public bodies in Scotland, the council is required to report annually on its compliance with its climate change duties. It reported in November 2022 that it had achieved a reduction in emissions of 36 per cent.

**82.** As part of the impact assessment approach, it is intended that an increased and ongoing level of climate change expertise and support will be made available to policymakers from an early stage as they develop policies. The council is adopting this approach to ensure that addressing climate change is seen by elected members and employees as an integral part of everything it does and is part of everyone's job. It does recognise that improving the carbon literacy of all elected members and members of staff requires more work and, as a starting point, has held sessions setting out the scale of the issue with them.

**83.** The council has acknowledged that the new integrated impact assessment approach will need to be resourced adequately to work well. The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) recommended that councils should consider assessing whether they have sufficient capacity, skills, and knowledge to support effective decision-making on climate change and to implement the necessary actions. The council is planning to review how the climate change team is resourced and structured. In April 2023, it had two unfilled posts.

### **The council is demonstrating good practice by setting a carbon budget**

**84.** The Accounts Commission's briefing on [Scotland's councils' approach to addressing climate change](#) noted that the use of service level carbon budgets may be helpful for ensuring accountability and reducing emissions at service level.

**85.** In March 2023, the council approved its third carbon budget for the period 2023-24. The carbon budget sets carbon emission targets for each directorate

within the council, with the aim of reducing these in line with its carbon emissions target reduction. The carbon budget for 2023-24 considers the spend and trajectory the council needs to be on to meet its targets, as well as the historic carbon emissions required by individual service areas for service delivery. A ten-year projection has also been issued to budget holders to allow them to plan for longer term change projects and associated savings. Carbon budget information and how it can be developed is being considered as part of the refresh of the Sustainable Development and Climate Change Strategy.

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# Alignment of delivery plans

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The new Council Plan 2023-28 sets out the council's high-level priorities and outcomes. The council is due to approve service plans in June 2023. These plans are key to demonstrate how the council will deliver on its priorities and align its resources to these

**86.** Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all its resources are deployed to achieve its strategic priorities, meet the needs of its communities, and deliver continuous improvement.

**87.** In its [Local Government in Scotland: Financial bulletin 2021/22](#) the Accounts Commission acknowledged that councils are facing the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation, and the cost-of-living crisis. Councils will need to continue to make recurring savings and make increasingly difficult choices with their spending priorities, including, in some cases, changes to, or reductions in, services.

## **The council approved a balanced budget for 2023/24 in March 2023. There is evidence of public consultation being reflected in the agreed budget**

**88.** We recognise the increasingly challenging financial environment councils are operating in. Additionally, in its May 2023 [Local Government in Scotland Overview 2023](#) report, the Accounts Commission commented on the limited flexibility councils have with their funding, noting that: "An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need."

**89.** The council approved a balanced budget for 2023/24 of £233.589 million in March 2023. In addition to this, the council committed £96.349 million to the South Ayrshire Health and Social Care Partnership. This balanced budget followed a final grant settlement from Scottish Government of £256.598 million. The council took the decision to increase council tax by five per cent to fund service expenditure in 2023/24.

**90.** In line with the Accounts Commission's commentary on the need for councils to undertake a review of their services and consider areas for reform, as part of its initial budget proposals, the council had plans for reducing teacher numbers in line with falling pupil rolls. However, in a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. This resulted in the

council removing its proposals as it would have results in withdrawal of funding and additional savings been required to compensate.

**91.** Following the budget consultation, to balance the budget and address the budget gap, and the late change in Scottish Government policy on teacher numbers, the council identified savings of £5.686 million. The 2023/24 budget also utilises £1.120 million of uncommitted reserves, and £5 million of retrospective reserves from the PPP (Public Private Partnership) Concession flexibilities agreed in December 2022.

**92.** The council's identified savings of £5.686 million is made up of a number of initiatives including service redesigns and reductions, reductions to budgets and removal of vacant posts. Whilst optimisation of service delivery is necessary, the council needs to ensure that identified savings are in line with its council priorities. Current savings proposals agreed as part of the 2023/24 budget lack direct alignment to the council priorities. The Strategic Change and Communities resource has identified savings of £1.523 million, including:

- Economy and Regeneration Team service review: £200,000
- Organisational Development and Strategic Change teams service review: £100,000
- Thriving Communities service review: £300,000.

**93.** The council's transformational change programme is discussed further at [paragraphs 106-111](#).

**94.** Budgeted service expenditure in 2023/24 includes additional investment of £10.789 million to ensure that key services, such as neighbourhood services continue to operate effectively. Much of this additional investment is to fund increased cost pressures, however some funds have been committed to provide new benefits to communities. For example, £0.250 million was committed in 2023/24, with a proposed continual investment for the next five years, in the delivery of the International Ayrshow: Festival of Flight. This aims to bring tourism and economic regeneration into South Ayrshire. Capital investment has also been committed, including £1 million in each of the 8 wards across South Ayrshire over the next four years to make infrastructure improvements to benefit communities. These investment decisions have been influenced using the information collated as part of the council's engagement with its communities as part of its place planning. The identified projects have been linked to the new Council Plan's priorities. The proposed projects will be considered by the Council in June 2023. The council has committed to regular monitoring of the projects to ensure transparency with its investment decisions.

**95.** In setting its budget the council acknowledged various inherent assumptions in arriving at budgeted figures and therefore risks, uncertainties and cost pressures that may be faced if costs change or new pressures emerge. One approach the council has taken to mitigate against such risks was the decision to set aside £2.500 million of previously uncommitted reserves as an inflation reserve. This will be held to mitigate any temporary inflation risk occurring during 2023/24 and will be drawn down if costs incurred during 2023/24 relating to inflation are above the level included in the 2023/24 budget.

**96.** Going forward, budget papers are to demonstrate how decisions and resource allocations align with the council's new priorities. At the time of setting the 2023/24 budget, the new Council Plan and corresponding service plans were still to be finalised, so this was not possible.

### **The council has in place medium and longer-term financial plans. At their next review date these should be aligned with the priorities set out in the new Council Plan**

**97.** Multi-year allocations were not included in the Scottish Government's 2023/24 budget. As such, the funding position beyond 2023/24 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst recognising that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer term, the development of longer-term plans is necessary to help councils plan for and deliver better outcomes and to address inequalities.

**98.** The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 was updated in November 2022. The plan considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging economic climate, and estimated changes to funding.

**99.** The plan outlined an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26 ([exhibit 4](#)).

**100.** The purpose of the MTFP is to provide a clear direction on how the council will manage its financial resources in the short to medium term to ensure they are deployed effectively to achieve council priorities and objectives. The plan provides members with a fuller picture of the likely challenges the council will face in the coming years which should help to focus attention and inform decisions on areas of priority and non-priority spend for the council. The council has committed to updating the MTFP annually, with the next review due to take place in October 2023.

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#### **Exhibit 4**

##### **MTFP - budget gap 2023/24 - 2025/26**

<b>Scenario</b>	<b>2023/24 £'million</b>	<b>2024/25 £'million</b>	<b>2025/26 £'million</b>	<b>Cumulative three-year total £'million</b>
<b>Best case</b>	10.0	11.0	7.7	28.7
<b>Mid case</b>	14.7	13.1	10.0	37.8
<b>Worst case</b>	20.5	17.2	11.8	49.5

Source: Medium-Term Financial Plan Update November 2022

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**101.** As part of the 2023/24 budget setting, the council provided an indicative scenario-based revenue budget for 2024/25. The position reported indicated a potential funding gap of between £7.5 million and £22.2 million. Whilst the best-case budget gap scenario (£7.5 million) is an improvement on the position reported in the MTFP ([exhibit 4](#)), both the mid (£15.2 million) and worst (£22.2 million) cases show a worsening budget gap position. The council also points out that efficiencies have to be delivered from non-ring-fenced services which they estimate are now only 33% of the overall budget. The council has recognised that there remains a significant amount of uncertainty around some of the assumptions impacting on these scenarios, with inflation, ongoing pay discussions and future funding settlements all contributing to the difficulty of financial planning.

**102.** The council's MTFP links to the financial challenges, and identified areas for change, set out in its 10-year financial plan. The council's Long-Term Financial Outlook (LTFO) 2022-23 to 2031-32 was approved in October 2021 and pulls together all known factors affecting the financial position and financial sustainability of the council over the longer-term. The mid-case cumulative 10-year gap outlined in the LTFO totals £107.632 million, with best (£36.236 million) and worst (£171.492 million) case budget gaps also identified.

**103.** The LTFO outlines priority areas of change which need to be addressed over the medium-term to support the council's sustainability for future years, including:

- Change programme – progress the refreshed transformational change activity programme to redesign services
- Future operating model – consider lessons learned from the pandemic to find better ways of working to deliver sustainable savings
- Dis-invest in non-priority service areas
- Digital technology
- Reduce council asset base, including disposing of surplus assets
- Workforce planning.

**104.** While the budget gaps are challenging, the council has a proven track record in achieving savings, delivering just under £77 million in the period from 2011/12 to 2021/22 (including HSCP savings).

**105.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important. The next update of the LTFO is due to take place in October 2023. The council has committed to updating future iterations of both the MTFP and LTFO in line with the financial environment it is operating in at the time, together with the council's priorities. This will ensure a cohesive approach to the delivery of services and outcomes for citizens.



## The council's strategic change programme is the focus for changing how services are delivered in the future

**106.** The 2021 BVAR said that relative to other council's, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The most recent transformation programme update was considered by the council's Service and Performance Panel in October 2022. This report included an update to the programme's benefits realisation plan and tracker. There are currently 33 projects within the scope of the programme of which 17 have benefits trackers in place. The council is planning to refocus the programme with a report going to Cabinet in June 2023. This will refine the programme to a smaller number of projects that will be tracked. Officers are working with project teams to propose benefits and baseline activity for the projects. We will monitor the council's progress with its revised programme.

**107.** Four projects have progressed to the final stage of the process - stage 4: benefits realisation - track delivery of benefits and embed project and change activity. The council anticipates a further seven will have reached this stage by the year-end.

**108.** The 2021 BVAR recommended that the council needed to assure itself that it had the capacity and skills required to increase its pace of transformation. A recent corporate restructure in September 2022 led to the recruitment of an additional Director with responsibility for strategic change together with strategic change being a focus of all the council's Assistant Directors.

**109.** The Strategic Change Programme Office is resourced, on a full-time basis, by a Project Implementation Coordinator and four Project Officers. One of the Project Officer posts is currently vacant due to two unsuccessful recruitment attempts. The 2023/24 budget includes savings requirements that could impact on the filling of vacancies in the Strategic Change Team. The council should ensure this does not impede the progress of the council's transformation programme.

**110.** As the programme progresses with delivering projects, officers from the team will be developing ways for council staff to suggest and bring forward project ideas. The use of corporate communication channels to promote examples of good practice will be considered to help publicise how officers and project teams have worked collaboratively to deliver change.

**111.** Further updates on the programme delivery and tracker will be provided to members in June 2023. As we have detailed elsewhere in this report, the council has made progress in a number of the priority areas set out in the LTFO but given the projected challenging financial environment, the pace of improvement still needs to increase. It is more important than ever that there is effective leadership, from both senior officers and elected members at the council, to drive at pace, the change needed to ensure its sustainability into the longer-term.

## The council has a twelve-year Capital Investment Programme which is refreshed each year. Significant investments are planned for children and families, communities, and economic regeneration

**112.** In its [Local Government in Scotland: Financial bulletin 2021/22](#) the Accounts Commission noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

**113.** In October 2022, due to rising inflationary cost pressures, the council decided not to proceed with the plans for a new Ayr Leisure Centre. The initial £40.2 million budget had increased to £52 million, which was expected to further increase due to inflation. The project was therefore removed from the 2023-24 Capital Investment Programme. However due to contractual obligations, the council is still required to purchase the land and plans are yet to be established for the use of the site. The 2023-24 Capital Investment Programme has provided £3.6 million, pending the outcome of a feasibility study, for further initial works and clearance of the site, with a further £10 million to be invested in the refurbishment of the current Citadel Leisure.

**114.** As part of the 2023/24 budget setting, the council's twelve-year Capital Investment Programme 2023-24 to 2034-35 was prepared on a refresh of the previously agreed programme. This outlines a total capital investment programme of £446.957 million for the twelve-year period, with £99.145 million of this budgeted for 2023/24. Significant investment is planned for 2023/24 in the following areas:

- Children and families: £25.330 million
- Communities: £26.330 million
- Economic regeneration: £33.018 million.

**115.** The economic regeneration investment of £33.018 million includes £30.268 million towards the Ayrshire Growth Deal, a partnership between the Scottish and UK Government and East, North and South Ayrshire Councils aimed at transforming the economic prospects of the area. Over the course of the capital investment programme, there is planned investment of £143.516 million in relation to the Ayrshire Growth Deal. Progress of the current year programme is regularly reported to Cabinet and the Ayrshire Economic Joint Committee.

**116.** The South Ayrshire Way Strategic Change Programme aims to maximise the use of local assets. This includes transforming the council estate to meet the needs of the future workforce and communities, and the implementation of the Future Operating Model to develop a sustainable model of working post pandemic, which will reduce the number of buildings occupied and presents opportunities for savings and a reduction in the council's carbon footprint.

**117.** The council's commitment to its capital investment programme should contribute to its Council Plan 2023-28, specifically, its 'Live, Work, Learn' priority. On completion of the detailed service level plans, the council should ensure its capital investment programme aligns with the identified priorities areas.

### **The council has produced a new Corporate Workforce Plan. Work is now needed to embed workforce planning alongside service delivery plans to deliver service priorities**

**118.** The council developed its first corporate workforce plan in 2018, covering the period 2018-2022. The [2021 Best Value Assurance Report](#) (2021 BVAR) recommended that "the council should improve and embed workforce planning, so that service workforce plans are developed consistently across the council. The plans should include clear links to the council's priorities and to its strategic change programme."

**119.** In response to this, the council has developed a new workforce plan - Corporate Workforce Plan 2022-25. This was approved by the council in November 2022. Also in 2022, South Ayrshire Health and Social Care Partnership submitted a workforce Plan to the Scottish Government.

**120.** The council's workforce plan is comprehensive in detailing a range of workforce data and related information and although this was produced prior to the new Council Plan 2023-28, the council considers that the fundamentals of service delivery and broad workforce requirements covered by the Corporate Workforce Plan would still apply to any new Council Plan.

**121.** The plan acknowledges areas where the council has experienced recruitment challenges. Service areas such as Facilities Management and ICT are referenced. The council does state that, to a large extent, the national labour market is driving recruitment issues for certain roles, but it has taken action to mitigate this. For example, it supports several Modern Apprenticeship qualifications, with over 120 apprenticeships having commenced over the past four years.

**122.** The workforce plan also links with the council's ongoing strategic change programme. However, due to timing of the new Council Plan 2023-28, and associated service delivery plans, work is still ongoing to align workforce needs at a service level. This is being progressed through the service plans.

**123.** The council has recognised this as one of its actions in the action plan that sits alongside the Corporate Workforce Plan 2022-25. The action plan will be taken forward over the next three years to help ensure workforce planning is embedded corporately, with workforce planning being one of the priority change areas identified in the council's Long-term Financial Outlook. The action plan details ownership and timescales across a range of workforce themes. These actions are to be measured and reported back annually to the council's Service and Partnerships Performance Panel.

**Progress with the council's new Digital Strategy was paused as the new Council Plan 2023-28 was developed. The new strategy now needs to be aligned to these**

**124.** The council has in place an ICT Strategy 2021-2023 and a Digital Strategy 2019-2022. They are separate but complimentary documents and were developed to support the strategic objectives of the Council Plan 2018-2022. Going forward there will be one combined strategy, originally planned for March 2023.

**125.** Both current strategies have an action plan to be delivered over their lifecycle. A final report on the outcomes of the strategies will be provided to elected members in due course to allow visibility and scrutiny of the actions taken over this timeframe.

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# Leadership

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The past year has seen a change in the council's administration and revisions to its political decision-making structure. There has also been a re-structuring of the Corporate Leadership Team. Decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens

**126.** Effective leadership from councillors, chief executives, and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities, and citizens to improve outcomes is more important than ever.

**127.** Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

**128.** Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

## Following the May 2022 local government elections, the council has a new administration

**129.** Following the local government elections in May 2022, 28 members representing the eight multi-member wards were elected across South Ayrshire. This includes 9 new members and 8 new portfolio holders, some whom had not been members before. The political composition is as follows:

- Conservative - 10
- Labour - 5
- Independent - 4
- Scottish National Party – 9.

**130.** In May 2022, at the first meeting of the new council, a Conservative - Independent administration was put in place succeeding the previous Labour-Independent-Scottish National Party administration who led the council in the preceding five years.

## **Given the challenging context in which the council is operating there is a need for collaboration between members if the council is to improve outcomes for its citizens**

**131.** The council's members should be willing and able to make difficult decisions about where and how to spend its resource, with a willingness and ability to embrace collaborative working within the council and with external stakeholders critical to achieving this.

**132.** The [2021 Best Value Assurance Report](#) (2021 BVAR) noted that there was a good degree of cooperation between members, despite political differences, and that members worked in the best interests of the residents of South Ayrshire. The cross-party member/officer working groups, were also cited as examples of co-operation.

**133.** The outcome of the May 2022 elections has resulted in the council operating in a challenging political environment. The political make-up of the council is finely balanced at a time when the council needs to work together to make some difficult strategic decisions. The support of all conservative and independent members is needed to pass key motions and recommendations at full council meetings, with reliance on the Provost's casting vote.

**134.** From our observation of meetings, we have witnessed robust discussions between members on key strategic items, for example in relation to the 2023/24 budget. However, we have not witnessed any instances of poor behaviour and officers have not made us aware of any required interventions to address behavioural issues amongst members. Additionally, from our review of hearings by the Standards Commission for Scotland there have been no cases, relating to the council, heard by the Commission in either 2022/23 or the prior year.

**135.** All members approved the priorities and outcomes set out in the council's new Council Plan 2023-28 and there remain several cross-party working groups in place. However, we are not aware of any meaningful cross-party collaboration on key strategic decisions having taken place since the May 2022 elections.

**136.** Members should look for opportunities for further cross-party collaboration to help in the delivery of projects crucial to achieving the council's vision and priorities as set out in its Council Plan 2023-28.

## **There remain good working relationships between the Corporate Leadership Team and elected members**

**137.** In the 2021 BVAR it was reported that there were good working relationships between members and the council's Corporate Leadership Team.

**138.** The May 2022 elections resulted in a change in administration with several first-time councillors elected. There were also changes in the Corporate Leadership Team structure and personnel. From our knowledge and understanding of the council, it seems that there are still good working relationships. The chief executive regularly meets with all political group leaders and officers worked with all parties to produce comprehensive budget

proposals. The quality of information that members receive, and ask for, is important to help inform effective decision making.

**139.** The members now need to work together to focus on making decisions to support delivery of the council's priorities. Effective scrutiny of council decisions is also a key factor in demonstrating Best Value. From our observation of Council and Panel meetings, there is a sufficient degree of relevant scrutiny and challenge by members of officers.

### **The council approved a new council structure in September 2022. The revised structure aims to provide clear leadership across the organisation and support the council in delivering its strategic priorities**

**140.** The council's 2021 BVAR recommended that 'the council should assure itself that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community planning and empowerment, financial and workforce planning, and transformation.'

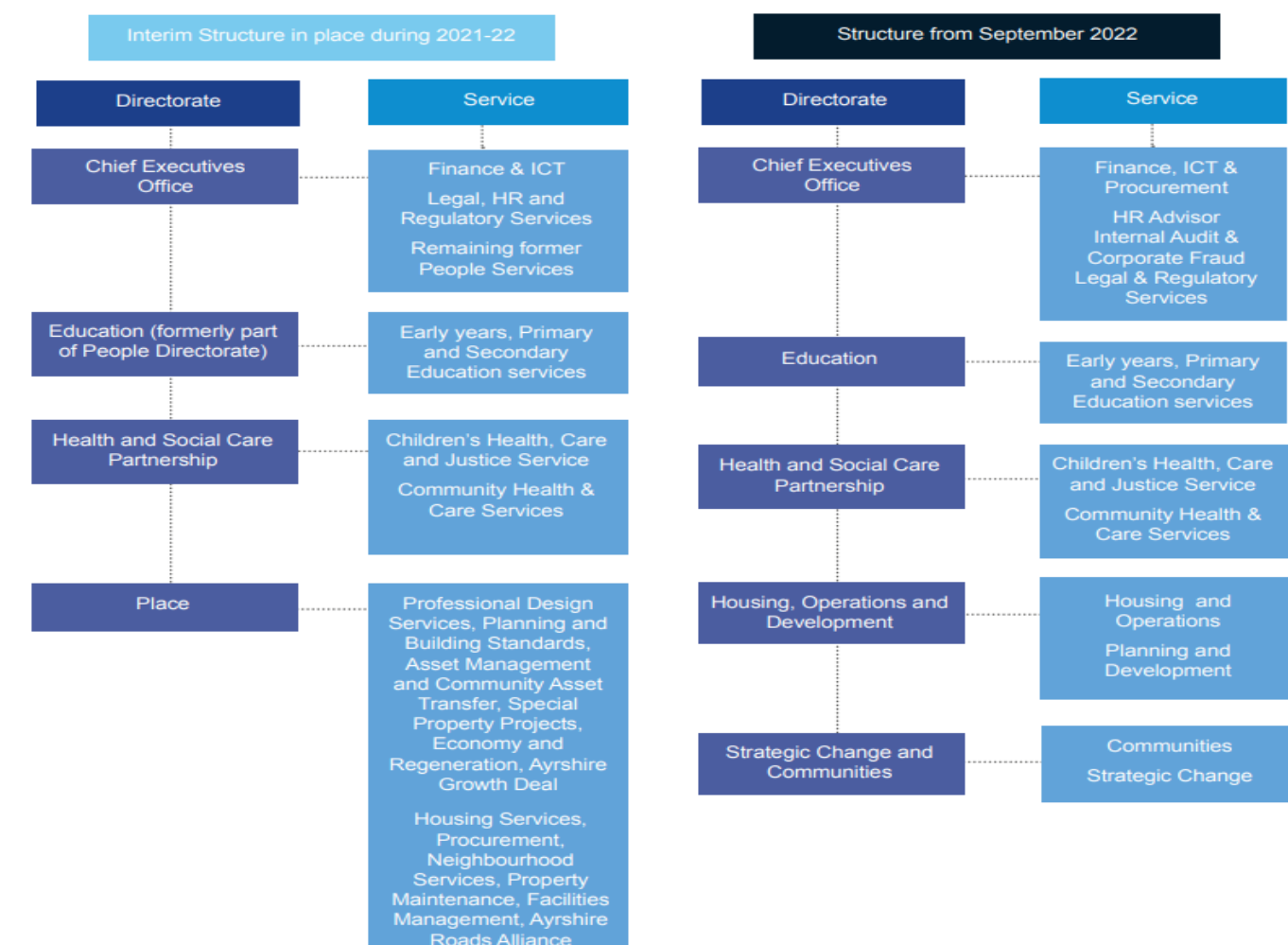
**141.** In response to this, the Chief Executive was tasked with bringing forward structural revisions that better reflect the current challenges and priorities of the council. Proposals were developed by Chief Executive in November 2021 to split the Depute Chief Executive/ Director of Education role into 2 posts. The Director of Education post was created and decisions on other post delayed until after May election. This reduced the leadership capacity until a revised council structure was approved in September 2022 ([exhibit 5](#)).

**142.** The revised structure includes an additional Director with responsibility for Strategic Change and Communities and incorporates revisions to the remits of Assistant Directors to include a focus on Strategic Change and to bring together Housing Operations and Policy. An Assistant Director of Education is also included. These changes are designed to free up strategic capacity within the Corporate Leadership Team and build overall capacity within senior leadership.

**143.** All posts requiring an appointment were filled by December 2022 and at the time of writing there are no vacancies in the Corporate Leadership Team within the council. However, the current Chief Executive is retiring in the autumn which will bring further change.

**144.** Over the course of our audit appointment, we will monitor the effectiveness of this revised structure as it is vital the council sustains its leadership capacity to achieve its objectives and drive change at the pace needed.

## Exhibit 5 Revised council structure



Source: South Ayrshire Council Annual Accounts 2021/22

## The council approved changes to its political decision-making structure in March 2023

**145.** At the 1 March 2023 meeting of the council, the administration proposed changes to the council's political decision-making structure and working groups. The following changes were proposed:

- Cabinet: creation of an additional Portfolio Holder for Developing South Ayrshire with oversight of future developments and special projects - Independent Member
- merger of the Service and Performance and Partnerships Panels - Chair (Labour Group) and increase membership to eight elected members including Chair
- membership of the new Service and Partnerships Performance Panel, to comprise members as follows: Labour (1), SNP (4) and Conservative (3)

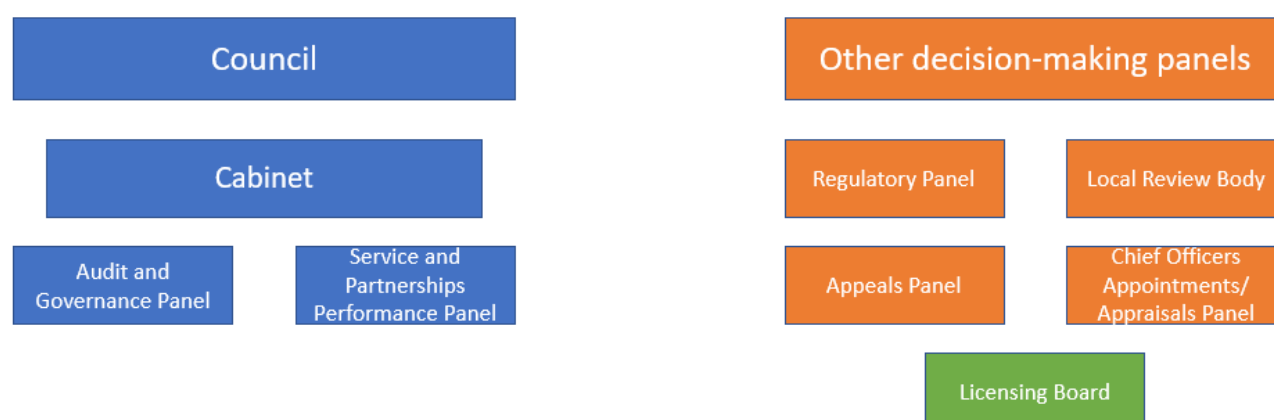


**146.** Prior to proposing these recommendations, officers were asked by the administration to seek legal advice from King’s Counsel (KC). This advice confirmed that where the decisions on the above recommendations, which relate to the changes to the political decision-making structure or composition of working groups resulted in a tied vote, then the decision would be decided by the Provost’s casting vote. The KC confirmed this was in accordance with the council’s standing orders.

**147.** The above recommendations were agreed after a split vote of 14-14, decided by the Provost’s casting vote. Following the approval of the recommendations the council has a new political decision-making structure ([exhibit 6](#)).

## Exhibit 6

### Political decision-making structure from 1 March 2023



Source: South Ayrshire Council

**148.** The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions. From our attendance at, and observation of, meetings of the Audit and Governance Panel, members understand their role, provide sufficient scrutiny and effective challenge is exercised. The Panel undertakes a self-evaluation of its performance every two years. The next review is due in August 2023, and we will consider its findings as part of our annual audit report.

**149.** It is for councils to decide on the design of their scrutiny arrangements, and these should be subject to review on an ongoing basis to ensure they remain effective. From our review of a sample of other local authorities’ scrutiny arrangements, having two scrutiny panels is not considered unusual. What is key is that the arrangements should be such that the council’s leadership can be scrutinised and held to account for its plans and performance. The council should now monitor the effectiveness of the new governance structure to

ensure that the openness and transparency of decision making, and scrutiny is maintained.

### **Appropriate governance and decision-making arrangements are in place at the council, including a structured approach to self-evaluation of its governance**

**150.** Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded together with the monitoring of the adequacy and effectiveness of these arrangements.

**151.** The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016, with a further 21 sub-principles identified by the council to report against.

**152.** The council's Audit and Governance Panel is an important aspect of its overall governance arrangements. One of the Panel's key responsibilities is to undertake an annual review of council officers' self-assessment against the council's corporate governance framework. The most recent review (2021/22) identified that of the 21 sub-principles, 17 were effective and four were effective but some improvements were needed. The council has developed an action plan to take forward these improvements into 2022/23. We will review the council's progress with these actions as part of our work on the 2022/23 governance statement.

**153.** The local code of corporate governance, and the subsequent annual review of this of this, enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

### **There is openness and transparency in decision making by the council, with evidence of engagement between the council and its citizens**

**154.** There is evidence from several sources which demonstrates the council's commitment to the openness and transparency of its decision-making to set and achieve its strategic priorities:

- There is live streaming of meetings. Agendas, papers, minutes and video recordings of Council and Panel meetings are published on the council's website on a timely basis.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance and use of resources for the year, and a governance statement that details its compliance with the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016.

- Its website also provides the public with access to a wide range of corporate information including details of the council's corporate plan, performance and equality and diversity reporting.
- The council has developed a new digital community engagement platform. This aims to enhance current community engagement practices through open, transparent, and democratic engagement between the council and its citizens.

**155.** Further comment on the council's engagement with its citizens and community is detailed earlier in this report.

**There has been a gap in corporate self-evaluation of service performance at the council. The plans to reintroduce a corporate self-evaluation tool need to be progressed. The council could do more to understand its performance in relation to other councils**

**156.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) says councils have never faced such a challenging situation. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services. This needs to be driven by a structured approach to self-evaluation in councils.

**157.** The 2021 BVAR reported that the council had been using the 'How Good is Our Council' (HGIOC) approach to self-evaluation since 2010. HGIOC was linked to the council's performance management framework and focused on key performance indicators. Services were continually reviewed based on inspection reports, and service reviews were triggered by performance. There had been an increased focus on self-evaluation, with training being provided to officers and members and a 'Guide to Self-Evaluation' was published in August 2019.

**158.** This changed with the pandemic, while self-evaluation has taken place in some services, there is now not a corporate approach to self-evaluation. The HGIOC Champions Group, that had been instrumental in driving the process, has not reconvened since the 2020. One of the "Delivering good governance" improvement actions agreed in June 2022, by the Audit and Governance Panel, for 2022/23, and categorised as essential in terms of priority, was to Develop new Council Plan in partnership with Elected Members and Corporate Leadership Team, which will include refreshing the Council's corporate evaluator tool 'How Good is our Council'. This had a deadline of March 2023. The council has confirmed it has postponed refreshing its corporate HGIOC approach as it awaits sufficient data to evaluate itself against from the Council Plan 2023-28.

**Action plan recommendation 4**

**159.** As a stop gap, service leads have been asked to undertake a short self-evaluation exercise as part of drafting their service plans by June 2023. They have been asked to consider:

- How are we doing?
- How do we know?
- What challenges will impact on the service – internal and external?
- What are we going to do now?

**160.** Every year, to help drive improvement, the council considers its performance in comparison with other councils using national benchmarking data. A report on Local Government Benchmarking Framework (LGBF) data is taken annually in June, to what is now known as the Service and Partnerships Performance Panel.

**161.** In the June 2022 report, detailed commentary was provided on the reasons for change in each of the 100 indicators. Over half of indicators had targets. Thirty-nine indicators declined in performance. Of these 39, around half detailed improvement activity that was either planned or already underway in the associated narrative.

**162.** The council compares its overall performance with previous years by setting out a total number of indicators that have improved, declined, or remained stable. It also provides comprehensive information at indicator level - the value of each indicator is compared with past years' performance and with the Scottish average and family group average.

**163.** There is scope for the council to analyse this information further by summarising how many indicators have improved, declined, or stayed the same at service level and comparing its performance to other councils in a summarised form by, e.g. setting out how many indicators for each service are in each of the four quartiles. A summary of what improvement activity is planned at service level would also help elected members track progress in how underperformance is being dealt with. Benchmarking data for 2021/22 will be considered by the Service and Partnerships Performance Panel in June 2023.

### **The council has put in place arrangements to re-introduce personal development plans (PDP) and provides a range of formal and informal training material for members**

**164.** There is no requirement in the Councillors Code of Conduct for councillors to participate in training, however members need to ensure they have the appropriate knowledge and skills to carry out their roles. The 2021 BVAR identified the need for elected members to take advantage of learning and development opportunities provided by the council and noted the need for the council to work with members to ensure they are provided with the necessary skills to carry out their roles and responsibilities.

**165.** Following the local government elections in May 2022, the council provided both newly elected and returning members with a comprehensive induction programme. This comprised of an induction handbook, welcome sessions with officers, outlining members' key roles and responsibilities as councillors, together with specific Panel-related training. A further drop-in

session for the nine new councillors was held eight months after they joined whereby, they could highlight what elements of the induction training they wanted to revisit and consider what further training opportunities they might want.

**166.** In response to the 2021 BVAR recommendation, the council has taken steps to re-introduce PDP for all members. It has used the Improvement Service's Political Skills Assessment template to assist members in identifying specific support and /or training needs. This aims to better support members to carry out their roles and responsibilities as elected members. Following the completion of identified training needs, these plans are designed to be re-visited on a rolling basis to allow the continuous development of members knowledge and skills. The council has attempted to sign up all elected members to these individual personal development plans. Good progress has been made, with most councillors completed their assessment and held initial discussions about their training needs. In addition, officers continue to discuss with elected members proposals for developing and delivering personal development activities, such as annual refreshers on the elected members code of conduct.

**167.** In addition to the PDP, the council has a schedule of briefings on topical areas that all members are invited to attend. At the February 2023 meeting of the council's Service Performance Panel a report was presented noting the briefings that had been provided to Elected Members since August 2022. The council adopts a hybrid approach to the briefings, with Microsoft Teams used to allow members to attend in person or remotely. The presentations are subsequently emailed to members following the briefing. The council has also taken steps to record and upload the briefings onto the Elected Members' area of its website to allow members to re-watch the presentation or view it at a time convenient to them.

**168.** From review of the update to Panel, on average 45 per cent of members were noted as attending the 11 briefings since August 2022. There is a need to improve the accuracy and relevance of the attendance figures. The council has acknowledged that work is needed to refine the data gathering from its training system as it is not clear if members watching the recording for the first time at a later date are counted in these figures. In addition, some members have noted that not all briefings are relevant to all members, with topic areas sometimes being more specific to certain agenda items for a particular cohort of elected members. In response to this, the council has issued questionnaires to members on what they want to see in their briefings and a request has been made to the political groups for them to provide suggestions for both briefings, and separately what they seek in relation to formal training. Additionally, senior officers for each Directorate are to provide members with the proposed briefings and training for the next 6-month period to allow a structured programme to be confirmed in advance of members returning after the summer recess. Officers will identify whether the training will be converted to a training course that is also recorded so that this can be revisited by members. This will allow members to manage their attendance at training and briefings more effectively and allow for an easier refresh at convenient times.

**169.** The briefings are a useful tool in providing members with information on topical subject areas. However, the PDP will provide a more structured

approach to member development. This will help ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making.

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# Best Value Assurance Report follow-up

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The council has made progress with all the recommendations made in its 2021 Best Value Assurance Report, but the pace of improvement has been slow in some key areas. In particular, effective measurement and reporting on progress against target outcomes, to deliver council priorities, is now key to the council demonstrating Best Value

**170.** The [2021 Best Value Assurance Report](#) (2021 BVAR) for South Ayrshire Council was published in October 2021. It reported that “public services at South Ayrshire Council perform well and residents are satisfied with the services they receive. However, the council must move faster in changing services for the future.”

**171.** The 2021 BVAR contained six improvement recommendations. In response to these recommendations, the council approved an action plan in December 2021 drafted by the Best Value Member/Officer Working Group. Each action plan point included an agreed due date and owner. Since December 2021, quarterly updates on progress against the action plan have been reported to the Audit and Governance Panel. Each update to the Panel tracks progress against the planned actions and provides the latest detail on each.

**172.** In the most recent update reported to the Panel in March 2023, management noted all actions as complete, however there is little consideration of the impact the improvement actions have had on the council and its communities. Our work in 2022/23 has considered the council’s progress in addressing the action plan as detailed at [exhibit 7](#). In our view, further work and progress is required on some of these recommendations if the council is to evidence that they have fully actioned all the 2021 BVAR recommendations.

## Exhibit 7

### Progress against 2021 BVAR recommendations

2021 BVAR recommendation	Audit Scotland view on progress
<p>1. The council should assure itself that it has the capacity and skills required to increase its pace of improvement in key aspects of Best Value, such as community planning and empowerment, financial and workforce planning, and transformation. Where appropriate, external support should be sought from other councils, or the Improvement Service, to help with focusing its areas of improvement.</p>	<p><b>Actioned</b></p> <p>Corporate restructure in September 2022 led to increased capacity in the leadership of the council.</p> <p>The council engaged with the Improvement Service to help develop its new Council Plan. The Council Plan, including its priorities and outcomes have been published. Progress will now be driven through the detailed service plans.</p> <p>Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes.</p>
<p>2. The council should prepare both medium- and long-term financial plans. The plans should consider changes to both income and expenditure, identify budget gaps, and set out the actions necessary to address those gaps. There should also be a clear linkage to council's priorities.</p>	<p><b>Actioned</b></p> <p>The council has in place medium and longer-term financial plans. At their next review date these should be fully aligned with the priorities set out in the new Council Plan.</p> <p>We have discussed this at <a href="#">paragraphs 97 to 105</a> of this report.</p>
<p>3. The council should improve and embed workforce planning, so that service workforce plans are developed consistently across the council. The plans should include clear links to the council's priorities and to its strategic change programme.</p>	<p><b>Actioned</b></p> <p>The council has produced a new Corporate Workforce Plan 2022-25, but work is now needed to align this to service delivery plans.</p> <p>We have discussed this at <a href="#">paragraphs 118 to 123</a> of this report.</p>
<p>4. The council should make sure that its transformation work is fully aligned and integrated to its Covid-19 recovery planning work and improve its approach to its strategic change programme by:</p>	<p><b>Not actioned for the version of the Strategic change programme to June 2023. Recently actioned for the reviewed programme.</b></p> <p>Refocussed programme with action trackers is due to be discussed by the Cabinet in June 2023. The most recent update to the South</p>



**2021 BVAR recommendation**

- adding greater detail about individual projects
- setting clear timelines for each project
- developing a benefits realisation tracker to assess whether the council has achieved its aims.

**Audit Scotland view on progress**

Ayrshire Way Strategic Change Programme was considered by the council's Service and Performance Panel in October 2022. This report included an update to the benefits realisation plan and tracker. There are 33 projects within the scope of the programme of which 17 have benefits trackers in place.

The council is now planning to review the programme and focus on a smaller number of projects that will be tracked. This is due to be discussed with members in June 2023.

We have discussed this at [paragraphs 106 to 111](#) of this report.

5. The council should improve performance reporting by:

- setting targets for its Key Performance Indicators (KPIs)
- including a summary of performance against KPIs in its performance reports to members
- increasing the frequency of reports to elected members
- making performance reports more accessible to the public.

**Not actioned for the previous Council Plan. To be progressed for the new Council Plan from June 2023**

Despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan.

Targets for measuring progress against the new council priorities are laid out in the service business plans to be discussed with members in June 2023.

We have discussed this at [paragraphs 25 to 32](#) of this report.

6. To help them carry out their roles, including their responsibilities under Best Value, elected members should take advantage of the learning and development opportunities provided by the council. The council should continue to work with elected members to understand and address the reasons for the variable uptake of training.

**Actioned**

The council has put in place arrangements to re-introduce personal development plans (PDP) and provides a range of formal and informal training material for members.

We have discussed this at [paragraphs 164 to 169](#) of this report.

# Appendix 1

## Improvement action plan

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Effective and timely performance reporting</b></p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p>	<p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>A timetable for performance reporting to elected members should be a priority.</p> <p>Performance reports should include details or links to planned improvement actions.</p> <p>The council should ensure it fully complies with the new Statutory Performance Information Direction.</p>	<p><b>Management response</b></p> <p>New Council Plan reporting format for Council Leadership Team reports and Service and Partnerships Performance Panel reports included in Performance Management Framework report to June Cabinet.</p> <p>Officers will review new reporting format to ensure that it reflects the Accounts Commission's Statutory Performance Information Direction.</p> <p><b>Responsible Officer</b></p> <p>Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b></p> <p>30 August 2023.</p>
<p><b>2. Place Plans</b></p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its new Council Plan. It has engaged with its communities and has identified local priorities. Due to resource</p>	<p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>	<p><b>Management response</b></p> <p>Ongoing dialogue with elected members on the details of the Place Plans can be used to advance place-based activity.</p> <p><b>Actioned by</b></p> <p>March 2024.</p> <p>Further work is required to align Place Plan development with localities and advance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>pressures, to date only two Place Plans have been approved by members and published.</p>		<p>participatory budgeting approaches to place via Community Planning</p> <p>Long term ambitions linked with Community Plan for 23/28.</p> <p>A restructured Regeneration team needs considered through our Economy and Regeneration Service, through which, joint work supporting a refresh of older place plans should be advanced. New structure anticipated December 2024, with ongoing Place work over new Council Plan 23/28.</p> <p>Recruitment is underway for an officer within Thriving Communities to deliver remaining Place Plans. In addition, methodologies for Local Place Plans are being progressed by Planning, in coordination with Thriving Communities and Economy &amp; Regeneration Services.</p> <p><b>Responsible Officer</b> George Hunter, Assistant Director - Communities.</p> <p><b>Actioned by</b> 31 December 2023.</p>
<p><b>3. Council Plan – cross cutting impact assessment</b></p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is under development to assist with this.</p>	<p>There should be a clear process introduced that is sufficiently resourced to ensure these cross-cutting priorities are given the necessary consideration.</p> <p>Measures should be set for monitoring progress for cross cutting themes. In particular how the council will measure that it is reducing inequalities</p>	<p><b>Management response</b></p> <p>Officers continue to develop Integrated Impact Assessment Tool including clear proposals for reporting and analysis. A report will be submitted to Cabinet for approval.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The approach is still to be determined and it is not clear how the council will measure its success in these priority areas.</p>	<p>and addressing climate change should be laid out.</p>	<p><b>Responsible Officer</b> Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b> 30 September 2023.</p>
<p><b>4. Approach to self-evaluation of performance</b></p> <p>There has been a gap in the council's self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p>	<p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council's self-evaluation should include an understanding of its performance in relation to other councils.</p>	<p><b>Management response</b></p> <p>Officers and members will re-establish approaches to self-evaluation across the council using How Good Is Our Council (HGIOC) to develop a framework to support ongoing evaluation for improvement.</p> <p><b>Responsible Officer</b> Kevin Anderson, Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b> 31 December 2023.</p>

# Best Value thematic work South Ayrshire Council 2022/23

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## **Audit Scotland report: Best Value Thematic Work in South Ayrshire Council 2022/23**

### **Key Messages**

The key messages from the draft Audit Scotland report are outlined below:

1. The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
2. Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change.
3. The 2021 Best Value Assurance Report said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
4. In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
5. A performance management framework to report progress against the Council Plan targets is due to be discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023.
6. The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
7. To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.
8. The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget.

9. The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered.
10. In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed.
11. There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed.
12. The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51 per cent of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57 per cent, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils.
13. The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
14. In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.
15. Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
16. Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value, these are included at Appendix 1 of the report. It sets out the council's response to audit recommendations made and we will report on the progress over the term of our audit appointment.

**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. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

## 1. Policy details

Policy Title	Best Value Thematic Work in South Ayrshire Council 2022/23
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 – (issues specific to women & men or girls & boys)	-	-



Community or Groups of People	Negative Impacts	Positive impacts
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 i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). 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)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> 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

<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> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report advises the Panel of the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire. Members' decision on this has no specific equality implications</b>	
<b>Signed :</b> Eileen Howat  <b>Date:</b> 9 June 2023	<b>Chief Executive</b>

**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Audit and Governance Panel  
of 28 June 2023**

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**Subject: Annual Accounts 2022/23**

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**1. Purpose**

1.1 The purpose of this report is to present the unaudited Annual Accounts for the year ended 31 March 2023 ('the unaudited Accounts').

**2. Recommendation**

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

**2.1.1 approves the accounting policies (contained in Appendix 1 (to follow)) used in preparing the 2022/23 Annual Accounts;**

**2.1.2 considers the unaudited Annual Accounts (Appendix 1 (to follow)), noting that all figures remain subject to audit;**

**2.1.3 considers the unaudited Charitable Trust Accounts (Appendix 2 (to follow)), noting that all figures remain subject to audit; and**

**2.1.4 requests the Head of Finance, ICT and Procurement to report back to the Panel following completion of the audit.**

**3. Background**

3.1 Each year, the Chartered Institute of Public Finance and Accountancy (CIPFA) issues new accounting guidance called the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). All local authorities use the Code in preparing their annual accounts.

3.2 Where appropriate, the accounting policies have been revised in line with changes required by 2022/23 Code.

3.3 The unaudited Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and were submitted to the Council's external auditors, Audit Scotland, before the statutory deadline of 30 June 2023.

3.4 A full and separate audit is also required for each registered charity where Members of South Ayrshire Council are sole trustees..

- 3.5 Notice has been given under Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985 to allow public inspection of the unaudited Accounts.
- 3.6 The Chief Internal Auditor's statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2023 is being provided to the members of the Audit and Governance Panel as a separate item on this agenda.
- 3.7 Members should note that the unaudited Accounts are currently subject to audit.

#### **4. Proposals**

- 4.1 A copy of the unaudited Accounts is attached to this report for information and consideration (please refer to Appendix 1 (to follow)).
- 4.2 Copies of the unaudited Charitable Trust Accounts are attached to this report for information and consideration (please refer to Appendix 2 (to follow)).
- 4.3 The audit of the Accounts will commence in July and will conclude with an Annual Audit report and Report to those Charged with Governance being presented to the Audit and Governance Panel in September 2023. The report will provide the independent auditor's report to Members of the Council, and will allow the auditor to communicate the matters raised during the audit to the Panel.

#### **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 arising from this report.

#### **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 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 as Appendix 3.

## **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 Priority 4 of the Council Plan: Efficient and effective enabling services.

## **13. Results of Consultation**

- 13.1 As indicated at paragraph 3.3 above, the unaudited Accounts will be available for public inspection during the audit process.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, due to tight timescales to produce the report.

**Background Papers**    **None**

**Person to Contact**    **Tim Baulk, Head of Finance, ICT and Procurement  
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:**    **20 June 2023**

**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. FSD Guidance for Public Bodies in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

## 1. Policy details

Policy Title	Annual Accounts 2023/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – 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)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
Sex – (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 i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). 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)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low





**South Ayrshire Council**

**Report by Director of Strategic Change and Communities  
to Audit and Governance Panel  
of 28 June 2023**

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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 2022 to 31 March 2023.

**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 for limited prescribed reasons relating to deprivation, location and availability of Council facilities and that, to ensure consistency and transparency, a register of all discretionary lets would be held and reported on annually.

3.2 During the previous reporting period of 1 April 2021 to 31 March 2022, twelve applications to apply discretion to let charges were received. Ten applications were approved and two were rejected. The low number of applications was largely due the challenging period for lessees in terms of the implications of COVID19 restrictions and indoor lets for external organisations did not fully re-open until September 2021.

3.3 During the current reporting period of 1 April 2022 to 31 March 2023, the number of applications for discretion to let charges increased to twenty-seven. Twenty-two applications were approved and five 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/**

## **6. Financial Implications**

6.1 Applying the discretion has resulted in a net reduction of income to the Council, however the income targets for the Ayr Town Hall and Troon Concert and Walker Halls were met during the reporting period 2022/23.

6.2 When considering discretion applications, a range of factors are taken into consideration such as existing staffing levels within the building and any additional costs the let would incur, to ensure that there would be no additional expenditure for the Council. For many of the applicants the full let fee would have been cost prohibitive, therefore the activity would not have taken place, and we would have lost any associated income, albeit at a reduced discretionary rate.

## **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 is a risk that rejecting the recommendations will mean that the Council misses the opportunity to scrutinise discretion applied to lets from external organisations.

## **9. Equalities**

9.1 This report provides an update on the 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)*** - An SEA has not been carried out.

## **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 Priority 2 of the Council Plan: Live, Work, Learn (Outcome 2: Work and economy – Everyone benefits from a local economy that provides opportunities for people and helps our businesses flourish) and Priority 3 of the Council Plan: Civic and Community Pride (Outcome 1: Pride in South Ayrshire – Everyone (residents, visitors and tourists) can enjoy attractive destinations and people are proud to live in our towns and villages and celebrate our culture and heritage).

### **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, Culture and Rural Affairs, and Councillor Brian Connolly, Portfolio Holder for Sport and Leisure, and the contents of this report reflect any feedback provided.

**Background Papers**     **Report to Audit and Governance Panel of 22 June 2022 – [Corporate Lets](#)**

**Person to Contact**     **Laura Kerr, Service Lead – Destination South Ayrshire  
Carnegie Library, 12 Main Street, Ayr, KA8 8EB  
Phone 01292 616421  
E-mail [laura.kerr4@south-ayrshire.gov.uk](mailto:laura.kerr4@south-ayrshire.gov.uk)**

**Date:** 16 June 2023

**Approved Discretion Applications**

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
31/03/2022	Ayr Film Society	Charity Film Screening - Ukraine	28/04/2022	One Off	£105.00	100%	£105.00	Approved	Fundraising event/ Ukraine	Jane Bradley	
02/05/2022	Ayr Community Gospel Choir	Concert	11/06/2022	One Off	£808.00	Maximum possible	£240.00	Approved	Charity, fundraising and free entry	Jane Bradley	
04/05/2022	Mrs Leitch	Concert (fundraising for Prostate Cancer)	03/09/2022	One Off	330 + 238.00	100%	£330.00	Approved	Fundraising Event	Jane Bradley	Lessee paid for Tech Support & stage build - £238.00
Jun-22	Ayr Art Guild	NYOS Senior Orchestra Concert	29/07/2022	One Off	£1,014.00	Free day time access	£382.00	Approved	Opportunity for young people. Staff already in during the day.	Jane Bradley	
08/08/2022	Plan B	Retrospective discretion for Winterstorm 2021	Nov-21	One Off	£7,470.00	£2,447.00	£2,447.00	Approved	COVID Recovery	Jane Bradley	Let charge reduced to 2019 rate
30/08/2022	MSP Siobhan Brown	Cost of Living Crisis	30/09/2022	One Off	£210.00	100%	£210.00	Approved	Subject Matter	Eileen Howat	
06/09/2022	Ayr Film Society	Charity Film Screening - Whiteleys	27/11/2022	One Off	150 let + £82 staff	100%	£232.00	Approved	Fundraising event/ Council Charity	Laura Kerr	
08/09/2022	Ayr Model Railway	Exhibition & Kitchen for Fundraising	17-18/09/2022	One Off		Kitchen & Committee Room	N/A	Approved	Fundraising for charity	Laura Kerr	Let cancelled (Queen's death)
06/10/2022	OiR Speakers Group - Town Hall	OiR Speakers Group	Alternate Tuesdays	Regular let (Weekly/monthly)	£60 per let	50%	£30 per let	Approved	Charity providing free service	Laura Kerr	

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
26/10/2022	Scottish Women's Institutes, Ayrshire	Federation Show	14-15/10/2022	One off let/Annual let	£1,600.00	50%	£800.00	Approved	Event aimed at a primarily aging population.	Laura Kerr	
27/10/2022	Minishant Women's Institute	Regular meeting of the wri	Monthly Meetings	Regular let	£12 per hour	Group is unable to afford this cost, bulk of members are over 70.	50% reduction	Approved	Targeted group in rural community. Limited income	Laura Kerr	
01/11/2022	Ayr Community Gospel Choir	Choral Concert for Charity	03/12/2022	One off	578	Maximum possible	£250.00	Approved	Charity, fundraising and free entry	Laura Kerr	
08/11/2022	Whiteleys Retreat	Charity Event	27/11/2022	One off let/Annual let	272	100%	£272.00	Approved	Council Charity	Laura Kerr	
10/01/2023	Dundonald toddlers	Toddler group	Weekly every Tuesday 09.30am - 11.30am	Regular let (Weekly/monthly)	£24 per let	Not specified	£12 per let	Approved	Rural area, low entry fee for targeted group	Laura Kerr	
01/03/2023	Ayrshire Music Festival	Ayrshire Music Festival	7-15/3/2023	One off let/Annual let	£3,440	50%	£1,864.00	Approved	Charity, free entry for children, low entry cost for adults	Laura Kerr	
27/8/2021	West of Scotland Brass Band Association	Concert/competition at Troon	27/08/2022	One Off	£925.50	100%	£925.50	Approved	Free for children to attend, community event	Laura Kerr	
01/11/2022	Ayrshire Hospice	Giggin it Laldy - Eventure Scotland	13/11/2022	One Off	£384.00	100%	£384.00	Approved	Raising funds for new hospice build. In partnership with DSA, bringing high profile acts into South Ayrshire.	Jane Bradley	

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
01/06/2022	National Youth Theatre	National Youth Theatre Camp	1-3/7/2022	One off let	£3,240.00	100%	£3,240.00	Approved	National event for young people. Delivered in partnership with Youth Theatre Arts Scotland and the Ayr Gaiety	Laura Kerr	In-kind use of Ayr Town Hall and Ayr Grammar.
11/11/2022	Scotland on Tour	Scottish Bands - COVID recovery	11/11/2022	One off let	£820.00	Free hall hire	£504.00	Approved	Partnership Event	Laura Kerr	
24/03/2023	Ayrshire Hospice	Giggin it Laldy	24/03/2023	One Off	£1,220.00	100%	£1,220.00	Approved	Raising funds for new hospice build. In partnership with DSA, bringing high profile acts into South Ayrshire.	Jane Bradley	Hall Hire charges, Stage Builds, Section 89, and Front of House staffing for event
17/08/2022	Ayrshire AST - Children Panel Training	Ayr Town Hall	5th Oct 2022, 11th Jan 2023, 1st Feb 2023	various dates	£180.00	Free Hall Hire	£180 + £60.00 for 2023 in same discretion	Approved	PAN Ayrshire Training	Laura Kerr	Children's Panel Training for Ayrshire. Catering was paid for by AST Additional Date 03 May 2023
Mar-22	Ballroom Dancing	Transfer over weekly events from SAC	April 2022 - March 2023	Regular let (Weekly)	11287.5	50% Hall Hire	£5,643.75	Approved	Programme transfer from SAC	Jane Bradley	

## Rejected Discretion Applications

Application Date	Group/ Organisation	Reason for Let	Date of Let	Frequency Of Let	Let Charge	Amount Discretion Requested	Amount of Discretion Applied	Outcome	Rationale	Decision Maker	Notes
16/01/2023	GIRLGUIDING AYRSHIRE SOUTH	GIRLGUIDING THINKING DAY EVENT	26-Feb-23	One off let/Annual let	£516	£350 would be an affordable	£0.00	Declined	Not a free activity or raising funds, group have secured external funding and charging entry fees	Laura Kerr	
17/02/2023	Ayr Development Trust	Community Development Trust Monthly Meeting	07/03/2023	Regular let (Weekly/monthly)	£20 per hour	100%	£0.00	Declined	Space available in schools	Laura Kerr	School facility open
30/03/2023	Plan B Events Scotland	WinterStorm Rock Weekend	25-27/11/2022	One off let/Annual let	6299.5	Not specified	£0.00	Declined	Commercial	Laura Kerr	
03/06/2022	McLeod Fitness	McLeod Fitness	Various	Regular Lets	£15 per hour	Not specified	£0.00	Declined	Commercial	Laura Kerr	
27/10/22	RLNI Troon Fundraising	RNLI CHRISTMAS FAYRE (WINTERTAINMENT)	20/11/2022	One off let/annual let	£525	Not specified	£0.00	Declined	Insufficient information and justification		

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 28 June 2023**

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**Subject: Internal Audit Annual Report 2022/23**

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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 2022/23, 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 2023.

**2. Recommendation**

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

**3. Background**

- 3.1 South Ayrshire Council's internal audit service is delivered within the context of the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973.
- 3.2 PSIAS requires the Chief Internal Auditor to prepare an annual report on the activities of Internal Audit and which includes a view on the adequacy of the Council's governance, risk management and internal control frameworks.

**4. Proposals**

- 4.1 The required annual report for financial year 2022/23, together with the statement on internal controls, is included at [Appendix 1](#).
- 4.2 The revised internal audit plan for 2022/23 (approved by this Panel in February 2023) has been substantially completed; audit fieldwork is outstanding on two Council assignments (HubSW Arrangements and Transformational Change), 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 Audit reports include, in the action plans, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendation. A recommendation to consider whether the Directorate risk register requires to be updated to reflect issues raised within the report is also included in each audit report. In addition, quarterly meetings have been set up between Risk and Safety and Internal Audit to ensure new emerging risks are included in Council Risk Registers and the Annual Internal Audit Plan where required.

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

8.2.1 There are no risks associated with adopting the recommendations.

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

8.3.1 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 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 the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

**13/**

### **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this paper.
- 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**     [Internal Audit Plan 2022-23](#)

[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:** 16 June 2023

## Internal Audit Annual Report 2022/23

### 1. Introduction

- 1.1 The purpose of this report is to provide an overview of the Internal Audit activity for 2022/23 and to provide an independent opinion on the adequacy and effectiveness of South Ayrshire Council's governance, risk management and internal control systems for the year ended 31 March 2023.

### 2. Background

- 2.1. 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.

- 2.2. The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that "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". In South Ayrshire Council, the "chief audit executive" is the Chief Internal Auditor.

- 2.3. The PSIAS states that the annual report prepared by the chief audit executive must incorporate:

- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (*paragraph 10.2*);
- a summary of the information that supports that opinion (*paragraphs 5.4-5.7 and 6.5*);
- a disclosure of any impairments to scope and / or independence (*paragraph 11.1*);
- a statement of conformance with the PSIAS (*paragraph 3.1*); and
- the results of the quality assurance and improvement programme (relating to any EQAs and PSIAS self-assessments) and progress against any improvement plans (*paragraph 3.3*).

- 2.3 This Internal Audit Annual Report has been prepared on the basis of the requirements outlined above.

### 3. Compliance with PSIAS

- 3.1 During 2022/23 the Internal Audit Section operated in compliance with PSIAS.

- 3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations.

- 3.3 The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services, including both periodic internal self-assessments and five-yearly

External Quality Assessments (EQA). Since the PSIAS came into effect in April 2013, annual self-assessments have been performed by the Chief Internal Auditor, and one EQA (2018) has been completed and reported to the Audit and Governance Panel. The service was externally assessed as ‘generally conforms’ with PSIAS in 2018 and an action plan prepared. The actions were full implemented and self assessments since then confirm the service ‘fully conforms’. A second EQA is currently ongoing and the results of this assessment will be reported to Panel once completed together with the results of the most recent self-assessment.

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

- 4.1. Internal Audit is an independent review activity free from undue influence or other pressures affecting its independence and to that end Internal Audit and Corporate Fraud is situated within the Chief Executives department and has a direct reporting line to the Chief Executive and to the Council's Audit and Governance Panel in its role as the Council's audit committee.
- 4.2. Internal Audit operates within the Internal Audit Charter, most recently approved by the Audit and Governance Panel on 22 March 2023.
- 4.3. There are four professionally qualified posts (3.6 FTE) in Internal Audit. Corporate Fraud includes a further two posts (2 FTE), with the Senior Investigations Officer holding the Accredited Counter Fraud Specialist qualification.
- 4.4. Internal Audit experienced staffing resource issues in the first six months 2022/23 which resulted in a reduction of available days available to complete audit assignments. The 2022/23 Internal Audit Plan approved by Panel in June 2022 (and the subsequent revised plan approved on 22 February 2023) reflected this and risk was also considered when developing the annual plan to ensure there was no limitation of scope which could have a negative impact on the provision the annual audit opinion for 2022/23. Internal Audit has been fully resourced since September 2022.

#### **5. Internal Audit Activity 2022/23**

- 5.1. Internal Audit activity during the year was undertaken in accordance with the revised internal audit plan. Progress reports have been provided to the Audit and Governance Panel quarterly throughout the year. Assignments included within the revised plan, approved by the Audit and Governance Panel in February 2023, 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.
- 5.2. The 2022/23 internal audit plan estimated 497 direct audit days. The actual number of days achieved was 582 days. An analysis of audit days by type of audit as at 31 March 2023 is summarised in the following table:

<b>Type of Audit</b>	<b>Planned Days 2022/23</b>	<b>Actual Days 2022/23</b>	<b>Variance in days</b>
Key corporate systems	30	26	-4
ICT auditing	30	70	40
Governance and Best Value	70	34	-36
Directorates and other systems	90	136	46
Other entities	50	13	-37

Type of Audit	Planned Days 2022/23	Actual Days 2022/23	Variance in days
Regularity	31	30	-1
Follow Up Reviews	21	34	13
Other	175	239	64
<b>TOTAL</b>	<b>497</b>	<b>582</b>	<b>85</b>

- 5.3. The overall variance of 85 additional days is mainly as a result the Chief Internal Auditor and the Senior Auditor being involved in more operational audits than had been originally planned. This was due to the need to provide training and support throughout the audit process to new members of staff. Time allocated to Governance and Best Value, Other entities and Management and Development was reduced in the year to 31 March 2023 to allow for this increase.
- 5.4. A total of 14 final internal audit reports have been issued for 2022/23. There are an additional 6 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 2022/23.
- 5.5. Of the 14 final reports issued 10 audit opinions give substantial assurance and four reasonable assurance. Of the six audit reports in draft, two have an assessment of substantial assurance, three of reasonable and one of limited. Copies of final Internal Audit reports are available to all Members via SharePoint.
- 5.6. Management has agreed to implement all 21 actions raised within the final internal audit reports issued. Management responses in relation to the actions raised in the draft Internal Audit reports are currently being agreed. It should be noted that a management restructure had taken place and processes and procedures updated to address the issues highlighted in the area assessed limited assurance prior to the issue of the draft Internal Audit report. Audit testing did not cover the changes introduced however it is expected that they will mitigate the risks highlighted in the draft report.
- 5.7. 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.

## 6. Performance Indicators

6.1. Internal Audit reports against four key performance indicators:

- Productivity/utilisation (see 6.2)
- Percentage of reviews completed in audit plan (see 6.4)
- Number of ad-hoc requests and investigations (see 6.5)

### *Productivity/Utilisation*

6.2. 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>2022/23</b>	<b>2021/22</b>	<b>2020/21</b>
Direct	83%	76%	76.9%
Indirect*	10.1%	18%	18.0%
Management	6.9%	6%	5.1%

\*e.g. administration, training and meetings

- 6.3. Additional unplanned time was spent by the Chief Internal Auditor to support new members of the team in completing audit testing which resulted in an increase in time allocated to direct audit time.

*Percentage of Reviews Completed in Audit Plan*

- 6.4. The revised internal audit plan for 2022/23, approved by the Panel on 23 February 2022, included 22 deliverable assignments for South Ayrshire Council. Certain items in the plan do not have individual outputs (such as management and audit development time and National Fraud Initiative) 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>
Complete/Report Drafted	20	90%
Work in progress	2	10%
	<b>22</b>	<b>100%</b>

*Number of ad-hoc requests and investigations*

- 6.5. An analysis is maintained by the Chief Internal Auditor of all additional work arising through investigations and ad-hoc requests for advice. A total of 61 days was allocated from the 2022/23 Internal Audit Plan to complete investigations, contingency assignments and advice and guidance in 2023. Eighteen separate pieces of work were completed in the year to 31 March 2023.
- Investigations – there were seven complaints received in the year to 31 March 2023. Two investigations were concluded by Internal Audit and were not substantiated, one was concluded by the Corporate Fraud Team and was passed to the relevant Service for information and consideration of further action. Four investigations were completed by the relevant service with input from Internal Audit where required. A controls report (2023-28- 04, Golf Clubhouse Cash Handling Controls) including recommended improvement actions was issued for one area. (28 days)
  - Advice and guidance is provided throughout the year on an ad-hoc basis as required. Advice provided in the year to 31 March 2023 included advice in relation to; Service Users' cash, the Council's Travel Policy, Social Work facility supper club, the Household Boost Fund, Early Years Funded Provider payments, email auto complete, SeeSaw data security and invoice processing in Property Maintenance. (6 days)
  - Contingency – time was allocated from contingency to review the arrangements for awarding grants through the Ayrshire Rural and Island Ambition Fund (ARIA) and to sample check grants awarded through this fund. Time was also allocated to review the to the audit of the Network Support Grant claim and to identify the circumstances which led to the delay in removing the EE Masts from Riverside Place. (27 days)

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

- 6.6. 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.

### **7. Counter Fraud Work**

- 7.1. The Corporate Fraud team report to the Chief Internal Auditor and 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 perpetuated 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 however there were no such cases in 2022/23.
- 7.2. In 2022/23 the Corporate Fraud team carried out a Blue Badge spot check in conjunction with the Ayrshire Roads Alliance (ARA). The Corporate Fraud team also carried out unannounced spot checks on businesses in receipt of Non Domestic Rates Empty Property Relief to ensure there was still entitlement to the relief and assisted Internal Audit in the completion of the Education Maintenance Allowance Assignment.
- 7.3. Separate Corporate Fraud update reports are provided to the Audit and Governance Panel for scrutiny on a six monthly basis.

### **8. Other Responsibilities**

- 8.1. 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.

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

- 9.1. 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 Senior Auditor attending the Computer Audit Sub-Group of SLACIAG (CASG) as well as the IDEA software user group for data analytics and the Senior Investigation Officer attending the Scottish Local Authorities Investigators Group (SLAIG). These meetings are a valuable source of training and sharing of information with counterparts across Scotland.
- 9.2. Pan-Ayrshire meetings are held with the other Chief Auditors for North and East Ayrshire Council.
- 9.3. Other opportunities for training and development are explored as and when they arise.

## **10. Audit Opinion**

- 10.1. In 2022/23, the Internal Audit Opinion is that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.
- 10.2. There is a formal requirement for the Chief Internal Auditor to prepare an annual assurance statement on the adequacy of internal control systems within the Council.
- 10.3. The internal audit annual statement on the adequacy of internal controls for 2022/23 is included in [Annex B](#).

## **11. Conclusion**

- 11.1. The 2022/23 internal audit plan was satisfactorily completed. There are no limitations of scope to the issued audit opinion.



## Internal Audit Reports Issued/Drafted 2022/23 For South Ayrshire Council

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2023-01	Anti- Fraud Review - NDR Relief #	Substantial	0	1	1	2
2023-02	Conflict of Interests	Reasonable	0	2	0	2
2023-03	Ayrshire Growth Deal-SAC Governance Arrangements#	Limited	4	4	0	8
2023-07	Systems Access Controls#	Reasonable	0	10	4	14
2023-08	Void Repairs	Reasonable	0	5	2	7
2023-09	Fostering & Adoption Payments#	Reasonable	0	5	4	9
2023-10	Education Maintenance Allowance (Data Match)	Substantial	0	0	0	0
2023-11	Implementation of Care Inspectorate/Scottish Government Improvement Plans#	Substantial	0	2	1	3
2023-12	Climate Change Public Sector Report (CCPSR)	Reasonable	0	1	3	4
2023-13	Review of COVID-19 business grants (LACER)	Reasonable	0	4	1	5
2023-14	Internal Control Self-Assessment Toolkit Schools#	Reasonable	0	3	6	9
2023-15	Internal Control Self-Social Work	Substantial	0	0	3	3
2023-16	Continuous Auditing	Substantial	0	0	0	0
2023-18	Follow Up - Benefits - Scottish Welfare Fund*	Actions Sufficiently Implemented	-	-	-	-
2023-19	Follow Up – Ayrshire Growth Deal*	Actions Sufficiently Implemented	-	-	-	-

Report Ref	Description	Assurance	Actions Arising			
			High	Medium	Low	Total
2023-20	Follow Up – PCI DSS *	Actions Sufficiently Implemented	-	-	-	-
2023-21	Follow Up – Capital contract *	Actions Sufficiently Implemented	-	-	-	-
2023-22	Follow Up – Controls around Hall letting Procedure *	Actions Sufficiently Implemented	-	-	-	-
2023-23	Follow Up – Controls around fuel systems *	Actions Sufficiently Implemented	-	-	-	-
2023-24	Follow Up – Carefirst *	Actions Sufficiently Implemented	-	-	-	-

\* Follow up audits are based on previous actions only, therefore no new actions are generated.

#Assignments are complete and draft reports issued, the number of actions may be subject to change following clearance with Services, but the 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 2023.

### **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 considers 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, ICT and Procurement (as Section 95 Officer), Head of Legal and Regulatory Services (as Monitoring Officer) and external audit.

### **Summary of Internal Audit Activity 2022/23**

A total of 14 internal audit reports have been issued for 2022/23. Ten audit opinions resulted in substantial assurance and four in reasonable assurance. A further six audit reports are in draft with their fieldwork completed, two of these have an assessment of substantial assurance, three of reasonable and one of limited. A diverse range of areas have been covered during the year including Non Domestic Rate Reliefs, Conflict of Interest, Covid Business Grants, Transformation and Change management, the Ayrshire Growth Deal, Systems Access, Void repairs, Fostering and Adoption and Climate Change. In addition and seven follow up assignments were completed. Added to this, the internal control self-assessment toolkit was completed by Social Work and a similar tool kit rolled out within schools. As well as these planned assignments, Internal Audit also undertakes special investigations and 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 2022/23 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 21 action points raised in the final reports issued have been accepted by management and will result in continued improvement of the Council's governance, risk management and control environment. Steps have already been taken to address the issues raised within the draft report which concluded in limited assurance.

### **Basis of Opinion**

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

- the audit work undertaken by Internal Audit for the year to 31 March 2023;
- 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;
- 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 it is my opinion that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

**Cecilia McGhee**  
**Chief Internal Auditor**  
**South Ayrshire Council**  
**26 May 2023**

South Ayrshire Council

**Report by Head of Legal and Regulatory Services  
to Audit and Governance Panel  
of 28 June 2023**

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**Subject: Delivering Good Governance – 2022/23 Assessment**

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**1. Purpose**

1.1 The purpose of this report is to invite Members to review the 2022/23 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 2022/23 year-end assessment as set out in [Appendix 1](#) to this report.**

**3. Background**

3.1 Since the 2021/22 year-end assessment was reviewed and agreed by Audit and Governance Panel Members on 22 June 2022 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 2022/23. There were 9 Improvement Actions in all, one Action had two strands. It shows that:




- 4 are complete;
- 1 is progressing on target (timescale previously extended beyond the year-end);
- 5 haven't progressed as planned, these are:
  - The development of an integrated assessment tool incorporating equalities, health in all policies, Fairer Scotland Duty etc. (A solution has taken time to evolve and will be implemented later this year).
  - Governance to ensure Climate Change considerations in line with






delivery of the Council's Climate Change Strategy and Climate Change Policy. The Sustainable Scottish Network agreed a climate change impact assessment reporting tool to allow consistency across local authorities. This will now be incorporated in the Council's integrated assessment tool as one Improvement Action. (Implementation will be later this year).













- Revision of the Council's Land and Property Asset Management Plan. The Plan will follow approval of a report by the Council's Cabinet on Transforming our Estate. (Implementation will take place during 2023/24).
- Review of the Health and Social Care Partnership Adult Mental Health Strategy. This was delayed due to a restructure in Community Health and Care Services (Implementation will take place during 2023/24).
- Refresh the Council's corporate evaluatory tool 'How Good is our Council'. This was delayed to allow time for the new Council Plan to be developed and ensure strategic alignment with the Council's approach to self-evaluation. (Implementation will take place during 2023/24).

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 2023/24 in [Appendix 3](#).

4.4 [Appendix 1](#) reflects any developments to the Framework that occurred between April 2022 and the year-end sign off as at 31 March 2023. 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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<b>Delivering Good Governance 2022-23 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	
Determining actions	

<b>Delivering Good Governance 2022-23 Year End Assessment - Summary</b>	
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 2023/24, 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. Risk**

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

8.1.1 There are no risks associated with adopting the recommendations.

8.2/



## 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 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 4](#).

## 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 delivery of the Council's cross cutting theme 'Reporting and Governance'.

## 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 22 June 2022 – [Delivering Good Governance – 2021/22 Assessment](#)**




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**Date:** 16 June 2023

## Appendix 1: DGG 2022-2023 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>		2022-23 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="#">Councillor's 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. We are introducing strengthened procedures in 2023/24. Any gifts or hospitality offered to employees (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>Chief HR Adviser, Payroll and Employee Services</p>
<b>Demonstrating strong commitment to ethical values</b>		2022-23 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 <a href="#">Equalities and Diversity</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>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2022-2023 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>		2022-23 Year End Assessment: 
<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 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. Comprehensive Induction training was provided to 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>Chief HR Adviser, Payroll and Employee Services</p>


Key:		Effective		Effective but scope for improvement		Requiring improvement
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**Appendix 1: DGG 2022-23 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>	
<b>Openness</b>		2022-23 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. The Strategy will be updated in Autumn 2023 to reflect the new Council Plan.</li> <li>• All Panel and Council Meetings are open to the public with all papers discussed in open session, other than those containing confidential information. Remote and hybrid Panel and Council meetings continued to be <a href="#">live webcast</a> throughout 2022/23 and recordings are available for the public to view for 24 months on Council website.</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>Lead officers</p> <p>SL Organisational Development and Customer Services</p> <p>SL Democratic Governance</p>
<b>Engaging comprehensively with institutional stakeholders (other organisations)</b>		2022-23 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 Strategic Delivery Partnership Chairs 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="#">Integration Joint Board</a>); with East Ayrshire Council for the <a href="#">Ayrshire Roads Alliance</a> (governed by the <a href="#">Ayrshire Shared Services Committee</a>) and with South Carrick Community Leisure for the Quayzone in Girvan (overseen by our <a href="#">Service and Partnerships Performance Panel</a>).</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>Head of Legal and Regulatory Services</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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**Appendix 1: DGG 2022-23 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>		2022-23 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>• Place Planning sessions were carried out across South Ayrshire during 2022/23 these consultations were to inform key priorities for communities</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. Key developments relating to <a href="#">Locality Planning</a> are reported to the Strategic Planning Advisory Group.</li> <li>• The Participatory Budgeting process gives residents the opportunity to decide where public money is spent in their communities. 6-monthly updates on <a href="#">Participatory Budgeting</a> progress are reported to Service and Partnerships Performance Panel.</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 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="#">Public Communications Survey, Budget Survey 2023-2024</a></li> <li>• <a href="#">Equality Impact Scoping 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. The introduction of a new online integrated impact assessment was agreed as part of the Council Plan 2023-28 and will be considered by Cabinet in September 2023.</li> <li>• A <a href="#">digital community engagement platform</a> came online in August 2022. This platform was developed with the assistance of CoSLA and allows open, transparent and democratic engagement between the community and the Council.</li> </ul>	<p>SL Thriving Communities</p> <p>Health and Social Care Partnership Facilitator</p> <p>SL Policy, Performance and Community Planning</p> <p>SL ICT Enterprise Architecture</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>		2022-23 Year End Assessment: 
<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 <a href="#">Council Plan 2023-28</a> was agreed by Council in March 2023. The Plan identifies key areas of focus over the next 5 years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. New Service Plans will be considered by Council in June 2023.</li> <li>• The Council Plan helps 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 2022-23 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>. <a href="#">Revision of the Council's Land and Property Asset Management Plan will reflect the Council's management structure and the Council Plan 2023-2028</a>.</li> <li>• Our <a href="#">Corporate Workforce Plan</a> (2022-2025) was approved in November 2022 and training was provided to all Service Leads by the Local Government Association (LGA). A standardised approach, developed in conjunction with the LGA model has been adopted in developing our workforce planning activities.</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>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>Sustainable economic, social and environmental benefits</b>		2022-23 Year End Assessment: 
<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 <a href="#">Equality Impact Scoping Assessment</a> process. The new online integrated impact assessment to be introduced during 2023/24 will allow several key national and local priorities to be considered as part of our decision-making process. Topics include Climate Change, The Fairer Scotland Duty, The Promise and Children's Rights.</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 <a href="#">Ayrshire Regional Economic Strategy</a>.</li> <li>• Fairer Scotland Duty has been incorporated into the <a href="#">Equality Impact Assessment</a> process which will form part of the Council's integrated impact assessment. This ensures that officers are carefully considering and reflecting how they comply with the legal responsibility placed 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.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>SL Economy and Regeneration</p>

Key:	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2022-23 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>		2022-23 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'.</li> <li>• The Strategic Change Executive which oversees the Council's Change Programme receives bi-monthly programme updates which focus on benefits and the delivery of corporate change projects. Reports providing updates on the success of the Change Programme were delivered to Service and Performance Panel in <a href="#">March 2022</a> and <a href="#">October 2022</a>.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>Director – Strategic Change and Communities</p>
<b>Planning actions</b>		2022-23 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>	<ul style="list-style-type: none"> <li>• Our planning and control cycle is set out within the Council's <a href="#">Performance Management Framework</a>.</li> <li>• Services develop plans with clear targets that are based around the Council's priorities with quarterly reporting to <a href="#">Service and Partnerships Performance Panel</a> and the Council's Leadership Team.</li> <li>• Service Plans allow for team plans and <a href="#">Personal Development Review</a> (PDR) to connect directly into the Council's 3 Council Plan Priorities and Outcomes - Spaces and Places; Live Work and Learn; and Civic and Community Pride.</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. As part of our Workforce Plan action plan, Service Leads are required to report on their PDR completion rates on Pentana.</li> </ul>	<p>SL Policy, Performance and Community Planning</p> <p>SL Organisational Development and Customer Services</p>




Key:		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>Planning actions (cont'd)</b>		
<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>• Council Services complete self-evaluation as part of the Service Planning Process</li> <li>• <a href="#">How Good is our Council</a> (HGIOC) remains our corporate evaluatory tool, with Education being the primary users. As part of the new Council plan and Service Planning process we will ensure HGIOC meets the needs of Council services our approach to its use is scheduled for refreshment in 2023/24.</li> <li>• Our <a href="#">annual budget setting exercise</a> is undertaken within the context of the <a href="#">Council Plan 2023-28</a>. Throughout 2022/23 including the 2023/24 budget setting process, a focus has been the impact on current and future resource constraints, including inflationary pressures.</li> </ul>	<p style="text-align: center;">SL Policy, Performance and Community Planning</p> <p style="text-align: center;">SL Corporate Accounting</p>
<b>Optimising achievement of intended outcomes</b>		<b>2022-23 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. These tie in the HSCP Financial Plan to the <a href="#">HSCP Strategic Plan 2021 to 2031</a>. Review of the Adult Mental Health Strategy will take place during 2023/24.</li> </ul>	<p style="text-align: center;">SL Corporate Accounting</p> <p style="text-align: center;">SL Procurement</p> <p style="text-align: center;">Head of Community Health and Care Services</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>2022-23 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 Service Review process 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. 6-monthly reports are now approved by Service and Partnerships Performance Panel, <a href="#">March 2022</a> and <a href="#">October 2022</a>, to ensure the appropriate level of governance is in place for the Strategic Change Programme.</li> <li>• A review and evaluation of the Council's approach to <a href="#">Future Operating Model</a> has identified implications for operational performance and use of assets. This was presented to Strategic Change Executive and will be subject of an Elected Member's Briefing in June 2023.</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 which includes a comprehensive action plan that will be taken forward by key, identified services. A comprehensive training programme focusing on workforce planning roles and responsibilities was delivered to senior Council Officers.</li> <li>• New workforce planning and <a href="#">succession planning</a> templates were developed and piloted using M365 functionality allowing services to consider and confirm workforce planning actions and activities.</li> </ul>	<p>Director – Strategic Change and Communities</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>2022-23 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>Chief HR Adviser, Payroll and Employee Services</p> <p>SL Organisational Development and Customer Services</p>
<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

**Key:**  Effective  Effective but scope for improvement  Requiring improvement



## Appendix 1: DGG 2022-23 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>	<ul style="list-style-type: none"> <li>• A comprehensive induction programme was provided for Members in May / June 2022.</li> <li>• An ongoing programme of Member Briefings provides updates and discussion on emerging issues/areas of interest which is available in a hybrid format and can be accessed as recordings where members are unable to attend.</li> <li>• We have a suite of development and training opportunities for Members including CPD, briefings and members assess their needs as part of a political skills self-assessment they complete and revisit.</li> <li>• Welcome pages are in place 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>• A new Leadership Development Programme is under development by a range of subject matter experts across Services. This programme has been approved by the Council’s Executive Leadership Team and follows consultation via a survey with Senior Council Officers to establish development needs.</li> <li>• All our senior officers and managers have Personal Development Plans arising from our Performance and Development Review process.</li> </ul>	<p>SL Democratic Governance</p> <p>SL Organisational Development and Customer Services</p>
<p>58. Ensuring that there are structures in place to encourage public participation</p>	<ul style="list-style-type: none"> <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> </ul>	<p>SL Thriving Communities</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>	<ul style="list-style-type: none"> <li>• Training in partnership with the Consultation Institute was delivered to Elected Members and Officers to understand the requirements for consultation during 2022/23</li> </ul>	<p>SL Risk and Safety</p>
<p>60. Holding staff to account through regular performance reviews which take account of training or development needs</p>	<ul style="list-style-type: none"> <li>• Our workforce participate in an annual <a href="#">Performance Development Review</a> process, which ties into the Council’s corporate vision and values of the <a href="#">South Ayrshire Way</a>. Managers are responsible for ensuring PDRs are carried out effectively and meaningfully in their area.</li> </ul>	<p>SL Risk and Safety</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>• The health and well-being of our workforce is of the utmost importance to the Council, as recognised through the implementation of the Workforce Planning Strategy. This Strategy identifies a range of workstreams relating to employee wellbeing which cut across several Council Services. The Workforce Planning Strategy also underpins previous work undertaken through the NHS <a href="#">Healthy Working Lives Scheme</a>.</li> </ul>	<p>SL Risk and Safety</p>

## Appendix 1: DGG 2022-23 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>		2022-23 Year End Assessment: 
<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="#">Cabinet</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>		2022-23 Year End Assessment: 
<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>).</li> <li>• Scrutiny of these performance reports takes place at the Service and Partnerships Performance Panel, the latest being <a href="#">March 2023</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>• The Council's Corporate Change Programme ensures a project approach to the delivery of key outcomes. The programme is underpinned by a governance framework focusing on benefit realisation and effective reporting. The Strategic Change Executive received bi-monthly updates on the Change Programme.</li> <li>• Revenue Budgetary Control reports are presented to Members at <a href="#">Cabinet</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>Director – Strategic Change and Communities</p> <p>SL Corporate Accounting</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>2022-23 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 Cabinet can be 'called in' by other Members, to allow further scrutiny to take place.</li> </ul>	<p>SL Risk and Safety</p> <p>SL Policy, Performance and Community Planning</p> <p>SL Democratic Governance</p> <p>SL Internal Audit</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>		<b>2022-23 Year End Assessment:</b> 
<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. Data Protection training was provided to Members in February 2023.</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. An <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>		<b>2022-23 Year End Assessment:</b> 
<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 to implement a new Enterprise Resource Planning solution, which is predicated on adopting best practice in this area and will ultimately inform future improvement work, became operational during April 2023. This work will establish new processes and controls when the system becomes fully operational.</li> </ul>	SL Corporate Accounting

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>2022-23 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 over 55,000 followers across all of our corporate platforms. We publish quarterly editions of our SAC Live Magazine, providing residents with information on our services and the work of the Council.</li> <li>• Social media training was provided to Elected Members in September 2022. Media training was provided to the Council's Corporate Leadership Team and again to additional Elected Members between November 2022 and February 2023.</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>2022-23 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> <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>• 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> <li>• We will continue to update 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 Policy, Performance and Community Planning</p> <p>SL Democratic Governance</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2022-23 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>		2022-23 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="#">Cabinet</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>• Services continue to take account of the risks associated with service delivery through third parties as part of our 2022/23 annual governance statement.</li> <li>• Our <a href="#">Service and Partnerships Performance 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 style="text-align: center;">Head of Finance ICT and Procurement</p> <p style="text-align: center;">SL Risk and Safety</p> <p style="text-align: center;">SL Democratic Governance</p>

Key:		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023


<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. 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)		The new integrated assessment tool was agreed by Council in March 2023 as part of the Council Plan 2023/28. The impact assessment will encourage services to explore where priorities overlap and converge, allowing for a more joined up approach to tackling shared strategic challenges. A short life working group of local experts was created for designing and testing proposed options. The final version of the integrated assessment tool is scheduled to be agreed by Cabinet in September 2023. Once approved, the assessment tool will also incorporate governance to ensure climate change considerations are in line with delivery of the Council's Climate Change Strategy and Climate Change Policy (Improvement Action DGG 03).
<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 Dec 22		Progress has been made with the development of business cases. The Full Business Case for the Commercial Build project was approved by the Cabinet and the AEJC. The Outline Business Case for Spaceport was approved by UKG and SG. The ASTAC business case was submitted to Government for approval and is under review, with the Full Business Case approval date proposed as August 2024. Digital and Roads projects are undertaking a re-scoping exercise
3. Governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy	Service Lead - Policy, Performance and Community Planning	31 Dec 21 (revised date)		The Sustainable Scottish Network (SSN) agreed a climate change impact assessment reporting tool. This will inform our new combined Impact Assessment to be introduced in September 2023. This Action has now been incorporated as part of the Delivering Good Governance Action for the development of the Council's Integrated Assessment Tool, incorporating equalities, health in all policies, Fairer Scotland Duty.

## Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023

4. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	31 Mar 23 (revised date)		The Revision of the Council's Land and Property Asset Management Plan was delayed, as it was due to follow a report on Transforming our Estate being approved by the Council's Cabinet. The Transforming our Estate report will be submitted to the Council's Cabinet in May 2023. The revision of the Council's Land and Property Asset Management Plan will subsequently be submitted to the Council Cabinet by end of September 2023
<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 Mar 23 (revised date)		A review of the Health and Social Care Partnership Adult Mental Health Strategy did not commence in 2022/23 due to reduced staffing levels. There was a vacancy in the HSCP Planning and Performance Team which has only recently been filled and there has been a restructure in Community Health and Care Services which has created a new post in Mental Health Services. This process took longer than anticipated.  These staffing changes will enable the review of the Strategy to be commenced, taken forward and completed in financial year 2023/24
6. Contribute to the development and implementation of the Regional Economic Strategy being led by North Ayrshire Council	Service Lead - Economy and Regeneration	31 Mar 23		The Regional Economic Strategy has now been approved by the Ayrshire Economic Joint Committee. A detailed action plan will be developed over the coming months.
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 and Community Planning	31 Mar 23 (revised date HGIOC)	 	The new Council Plan was developed and agreed by Council in March 2023.  Light touch self-evaluation has taken place in Service Planning ahead of a refreshed approach to the Council's corporate evaluatory tool 'How Good is our Council' (HGIOC).
<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 Mar 23		Corporate Working Group established to develop a Council Plan for 2022-25. The draft workforce plan was considered by Service and Performance Panel in October 2022 and formally approved by Cabinet in November 2022

**Appendix 2 - Delivering Good Governance – 2022/23 Improvement Actions – Update on progress to 31 March 2023**

F. Managing risk and performance through robust internal control and strong public financial management				
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 Mar 23 (revised date)	 <p>Oracle Fusion now operational, with some changes to financial reporting and management already in place. Having implemented the system, we are now at the stabilise stage where we learn and understand new techniques in terms of how to operate it. Further development will be undertaken during the next stage of the system life-cycle (innovate) in order to drive further improvement.</p>

2

### Appendix 3 - Delivering Good Governance – Proposed 2023/24 Improvement Actions

Improvement Action	Lead Officer	Due Date	Priority Desirable / Essential
<b>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>			
1. Introduction of new procedures for the Conflict of Interest Register for Employees	Service Lead – Democratic Services	31-Jul-2023	Desirable
<b>B. Ensuring openness and comprehensive stakeholder engagement</b>			
2. 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 (including governance to ensure Climate Change considerations in line with delivery of the Council's Climate Change Strategy and Climate Change Policy) (Link to A and C)	Service Lead -Policy, Performance & Community Planning	15-Dec-2023 <i>(revised)</i>	Essential
3. Governance through reporting by Officers to ensure consultation data and findings are published	Service Lead – Thriving Communities	31-Mar-2024	Desirable
4. Review of Ayrshire Roads Alliance Operational Arrangements	Director – Housing, Operations and Development	31-Mar-2024	Desirable
<b>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>			
5. Revision of the Council's Land and Property Asset Management Plan	Service Lead - Asset Management and Community Asset Transfer	30-Sep-2023 <i>(revised)</i>	Desirable
<b>D. Determining the actions necessary to optimise the achievement of the intended outcomes</b>			
6. Review of the Health and Social Care Partnership Adult Mental Health Strategy	Head of Community Health & Care Services	31-Mar-2024 <i>(revised)</i>	Essential
7. Refresh the Council's corporate evaluatory tool 'How Good is our Council'	Service Lead - Policy, Performance & Community Planning	31-Mar-2024 <i>(revised)</i>	Essential
<b>E. Developing the Council's capacity, including the capability of its leadership and the individuals within it</b>			

**Appendix 3 - Delivering Good Governance – Proposed 2023/24 Improvement Actions**

<b>F. Managing risk and performance through robust internal control and strong public financial management</b>				
8.	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-Mar-2024 <i>(revised)</i>	Desirable
<b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</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: <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. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Review of Year End Assessment re Delivering Good Governance Framework.
Lead Officer (Name/Position/Email)	Catriona Caves

**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 – (issues specific to women & men or girls & boys)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
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 i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). 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)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> 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

<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> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report asks members to review the 2022/23 year end assessment against the Council's Delivering Good Governance Framework. The review has no specific equality implications</b>	
<b>Signed :</b> Wynne Carlaw Governance	Service Lead – Democratic
<b>Date:</b> 1 <sup>st</sup> June 2023	



**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Audit and Governance Panel  
of 28 June 2023**

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**Subject: Treasury Management Annual Report 2022/23**

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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 2022/23 (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 2022/23, as attached at [Appendix 1](#); and**
- 2.1.2 remits the Annual Treasury Management Report to the next Cabinet meeting on 22 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 and Procurement 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 Cabinet.

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 2022/23 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 Cabinet meeting on 22nd August for approval.

#### 4.2 **Executive Summary**

During 2022/23, 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><i>Actual Prudential and Treasury Indicators</i></b>	<b><i>2021/22 Actual £'000</i></b>	<b><i>2022/23 Actual £'000</i></b>
Capital Expenditure	<b>89,463</b>	<b>119,064</b>
Total Capital Financing Requirement (including other long-term liabilities)	399,006	484,610
PPP and Finance Lease	(95,777)	(91,951)
<b>Underlying Borrowing Requirement</b>	<b>303,229</b>	<b>392,659</b>
Gross External Debt	289,434	355,385
Under (Over) Borrowed	13,795	37,274
Cash/Investments	(72,105)	(43,155)
<b>Net External Debt</b>	<b>217,329</b>	<b>312,230</b>

4.3 The table above shows that the Council has an under-borrowed position on 31 March 2023 of £37.274m, c 9.5%. 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 9.49% of its overall under-lying borrowing requirement and is therefore manageable within the current strategy. The strategy for 2023/24 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, ICT and Procurement also confirms that any borrowing was only undertaken for capital purpose and the statutory borrowing limit (the authorised limit) was not breached during 2022/23.

4.6 The financial year 2022/23 remained a challenging environment due to volatile interest rates with several rate increases throughout the year.

## 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 1.00%) to the General Fund in 2022/23. Interest rates for investment increased throughout 2022-23, with the strategy outperforming both budget and benchmark return resulting in an investment surplus.

Investment income to the General Fund out turned at £1.009m, a surplus of £0.895m. Interest was also received to the Council’s Repairs and Renewals Fund, Insurance Fund and Capital Fund to the value of £0.082m.

6.1.2 **Capital Financing Costs** - the Council originally budgeted £12.747m for financing costs and expenses on debt for 2022/23. This budget consisted of £5.870m in loan principal, £6.699m in interest and £0.178m in expenses. During 2022/23, a pragmatic approach was taken when considering the borrowing requirements to fund capital expenditure. However, even with this the borrowing strategy during 2022/23 resulted in an overspend as under-noted:

	Budget £'000	Out-turn £'000	Variance £'000
Principal	5,870	5,889	(19)
Interest	6,699	8,033	(1,334)
Expenses	178	295	(117)
<b>Capital Financing costs</b>	<b>12,747</b>	<b>14,217</b>	<b>(1,470)</b>
<b>Investment income</b>	<b>(114)</b>	<b>(1,009)</b>	<b>895</b>
<b>Total Debt charges</b>	<b>12,633</b>	<b>13,208</b>	<b>(575)</b>

The borrowing strategy undertaken in 2022/23 resulted in an overall overspend to the General Services of £0.575m. This is due to the increase in interest rates throughout 2022-23 due to high inflation rates, cost of living crisis and war in Ukraine. This is discussed further in the Economic Commentary. The overall overspend was reduced due to the investment strategy overperforming.

## 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 2022/23 based on achieving an interest rate of 1.00%. Like the General Fund the investment strategy was able to out-perform both budget and benchmark resulting in a return of £0.214m in investment income a surplus of £0.164m.

6.2.2 **Capital Financing Costs** - the HRA budgeted £3.918m for financing costs on debt for 2022/23. This consisted of £1.356m in loan principal, £2.496m in interest and £0.066m in expenses.

	<b>Budget £'000</b>	<b>Out-turn £'000</b>	<b>Variance £'000</b>
<b>Principal</b>	1,356	1,349	7
<b>Interest</b>	2,496	2,376	120
<b>Expenses</b>	66	87	(21)
<b>Capital Financing costs</b>	<b>3,918</b>	<b>3,812</b>	<b>106</b>
<b>Investment income</b>	<b>(50)</b>	<b>(214)</b>	<b>164</b>
	<b>3,868</b>	<b>3,598</b>	<b>270</b>

The borrowing strategy undertaken in 2022/23 resulted in an overall saving to the HRA of £0.270m.

6.3 In total, net debt financing costs were overspent by £1,364m, and when added to an over achievement in interest income of £1,059m resulted in an overall deficit of £0.305m which was reflected in the Council and HRA financial position at 2022/23.

## 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 Priority 4 of the Council Plan: Efficient and effective enabling services.

## **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 3 March 2022 - [Treasury Management and Investment Strategy 2022-23](#)**

**Report to South Ayrshire Council of 17 January 2023 – [Treasury Management and Investment Strategy Mid-year Report 2022-23](#)**

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**Date: 16 June 2023**

**South Ayrshire Council**  
**Treasury Management Annual Report 2022/23**

**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 2022/23.
- Section 2 – The Council's overall borrowing need.
- Section 3 – Treasury Position as of 31 March 2023.
- Section 4 – The Strategy for 2022/23.
- Section 5 – The Economy and Interest Rates
- Section 6 – Borrowing Rates 2022/23
- Section 7 – Borrowing Outturn 2022/23
- Section 8 – Investment Outturn 2022/23
- Section 9 – Other Issues

**Section 1 The Council's Capital Expenditure and Financing 2022/23**

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>2021/22 Actual £'000</i>	<i>2022/23 Estimate per Strategy</i>	<i>2022/23 Actual</i>
General Fund capital expenditure	66,230	128,120	90,749
HRA capital expenditure	23,233	64,208	28,315
<b>Total</b>	<b>89,463</b>	<b>192,328</b>	<b>119,064</b>
Resourced by:			
Government Grant & Other	(10,040)	(10,580)	(22,818)
Other funding identified	(20,339)	(19,128)	(23,369)
<b>Borrowing:</b>	<b>59,084</b>	<b>162,620</b>	<b>72,877</b>

1.3 The reason for the movement between planned expenditure/funding and actual out-turns for 2022/23 can be found in the General Services and HRA 2022/23 capital monitoring reports presented to Leadership Panel throughout 2022/23. The largest examples (by value) of reprofiling or reduction in spend being:

- ICT infrastructure and business systems projects - £2.5m
- Green Waste and Household Recycling Site – £1.7m
- Ayrshire Growth Deal - £3.8m
- Hangar Space - £1.75m
- Office and Welfare Building £1.25m
- Net Zero Projects - £0.5m
- HRA Major component replacement programme - £2.5m
- HRA External Fabric Upgrade project - £3m
- HRA New Build Housing - £18.6m
- New Leisure Centre - £21m

## 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 2022/23 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

- charging more than the statutory revenue charge. The Council's 2022/23 prudent repayment policy, (as required by Scottish Government), was approved as part of the Treasury Management Strategy Report for 2022/23 on 04/03/2022.

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 borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

Full Council agreed a report in meeting of 15th December 2022 on PPP Service Concession Arrangement Flexibilities.

***Finance Circular 10/2022 (FC 10/2022) replaces the 2010 version that covered this area and permits the authority to apply a temporary flexibility for service concession arrangements entered prior to April 2022. The Circular sets out the accounting requirements and the options permitted for the recognition of repayments of the principal element of the lease component or the lease liability for the year and the temporary flexibility for SCAs entered prior to 1 April 2022.***

The reprofiling of the debt liability repayments would increase the Capital Financing Requirement (CFR) by £21.720m as of 1 April 2022. The Council has made this adjustment in the current financial year 2022/23. The increase in the CFR will continue to be reduced by the revised repayments after each SCA contract has expired until the end of the revised period. This has now been incorporated into the revised Prudential indicators as appropriate.

Based on above the Council has £91.951m of such schemes within the CFR as of 31 Mar 2023.

The undernoted table shows the Council's underlying borrowing requirement, inclusive of PPP and Finance lease arrangements, as of 31 March 2023.

**Table 2**

<b><i>Capital Financing Requirement</i></b>	<b>31 Mar 2022 £'000</b>	<b>31 Mar 2023 £'000</b>
<b><i>Opening Balance</i></b>	<b>350,157</b>	<b>399,006</b>
Add unfinanced capital expenditure	59,084	72,877
Add new OLTL obligations (PPP)	0	0
Retrospective PPP adjustment	0	21,720
PPP in year adjustment	0	2,071
Less loans fund repayment	(6,445)	(7,238)
Less PPP/ finance lease repayment	(3,790)	(3,826)
<b><i>Closing Balance</i></b>	<b>399,006</b>	<b>484,610</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 2022/23 and the resulting borrowing requirements to fund this investment.

2.6 ***Gross Borrowing and the CFR*** - 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 (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) 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 2022/23.

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

**Table 3**

<i>Item</i>	<b>31 March 2022 £'000</b>	<b>31 March 2023 £'000</b>
Capital Financing Requirement (CFR)	399,006	484,610
Gross External Borrowing Position (including PPP and finance Lease)	385,211	447,336
<b>Net Under/ (Over) Borrowed Position</b>	<b>13,795</b>	<b>37,274</b>

The table above shows the CFR in an under-borrowed position on 31 March 2023 of £37.274m. 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 “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 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. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- **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/**

Table 4

<i>Item</i>	<i>2021/22 £'000</i>	<i>2022/23 £'000</i>
<b>Authorised Borrowing Limit External Debt</b>	<b>474,726</b>	<b>635,929</b>
Borrowing	289,434	355,385
Other Long-Term Liabilities	95,777	91,951
<b>Total</b>	<b>385,211</b>	<b>447,336</b>
<b>Operational Boundary External Debt</b>	<b>425,211</b>	<b>487,336</b>
Borrowing	289,434	355,385
Other Long-Term Liabilities	95,777	91,951
<b>Total</b>	<b>385,211</b>	<b>447,336</b>

Table 5

<i>Ratio of Financing Costs to Net Revenue Stream</i>	<i>Actual 2021/22</i>	<i>Estimated 2022/23</i>
General Services	5.48%	6.06%
HRA	10.79%	10.96%
<b>Total</b>	<b>6.15%</b>	<b>6.69%</b>

### Section 3 Treasury Position as of 31<sup>st</sup> March 2023

3.1 The Council's treasury management debt and investment position are organised by the treasury management service 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 detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2022/23 the Council 's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

Table 6

	<i>Borrowing position as of 31 March 2022</i>		<i>Borrowing position as of 31 March 2023</i>		<i>Change in year</i>
	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>
<b>Long Term Borrowing</b>					
Public Works Loans Board	178,233	3.51	211,185	3.13	32,952
Market – Fixed	8,000	0.52	28,000	2.33	20,000
LOBO (Option Loans)	41,200	4.52	41,200	4.52	0
<b>Total Long-Term Borrowing</b>	<b>227,433</b>		<b>280,385</b>		<b>52,952</b>
Short Term Borrowing	62,000	0.21	75,000	2.36	13,000
<b>Total External Borrowing</b>	<b>289,434*</b>	<b>2.19</b>	<b>355,385*</b>	<b>3.09</b>	<b>65,951</b>
CFR (underlying borrowing need)	303,229		368,868		65,639
Over (Under) Borrowing	<b>(13,795)</b>		<b>(13,483)</b>		<b>312</b>
Investments	<b>(72,105)</b>	<b>0.64</b>	<b>(43,155)</b>	<b>1.35</b>	<b>28,950</b>

\* The carrying amount of loans on the Council's balance sheet as of 31 March 2023 is £356.207m. The difference between this figure and the external borrowing shown in Table 6 above is £0.823m 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 of 31 March 2023.

**Table 7**

<b><i>Maturity analysis of Debt Outstanding on 31 March 2023</i></b>	<b><i>PWLB £'000</i></b>	<b><i>Market £'000</i></b>	<b><i>LOBO (Option) £'000</i></b>	<b><i>Temp Borrowing</i></b>	<b><i>Total £'000</i></b>
Maturing within 1 year	2,588	3000	3000	75,000	83,588
Maturing 1 to 2 years	1,702	10,000	0	0	11,702
Maturing 2 to 5 years	4,900	15,000	0	0	19,900
Maturing 5 to 10 years	17,519	0	7,000	0	24,519
Maturing 10 to 20 years	31,800	0	1,500	0	33,300
Maturing 20 to 30 years	14,009	0	5,000	0	19,009
Maturing 30 to 40 years	61,166	0	5,000	0	66,166
Maturing 40 to 50 years	77,500	0	9,700	0	87,200
Maturing > 50 years	0	0	10,000	0	10,000
<b><i>Total</i></b>	<b><i>211,184</i></b>	<b><i>28,000</i></b>	<b><i>41,200</i></b>	<b><i>75,000</i></b>	<b><i>355,384</i></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 2022 (£'000)</b>	<b>31 March 2023 (£'000)</b>
Opening Balance	179,292	226,125
Add advances	52,028	62,536
Less repayments	(5,196)	(5,889)
Closing Balance	<b>226,124</b>	<b>282,771</b>

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

<b>Loans Fund</b>	<b>31 March 2022 (£'000)</b>	<b>31 March 2023 (£'000)</b>
Opening Balance	68,794	74,601
Add advances	7,046	3,854
Less repayments	(1,249)	(1,349)
Closing Balance	<b>74,591</b>	<b>77,106</b>

## **Section 4 Strategy for 2022/23**

4.1 Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24.

The change in investment rates meant local authorities were faced with the challenge of the investment of surplus cash for the first time in over a decade. It has increased the need for detailed cashflow projection to retain the appropriate balance between maintaining cash for liquidity purposes and taking advantage of improved investment rates.

With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a difficult Q4 2022, the more traditional investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used in 2022-23.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

Nonetheless, 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 Great Financial Crisis of 2008/9. 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.

## **Section 5 Economy and Interest Rates**

### **5.1 UK Economy**

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, United Kingdom (UK), Eurozone (EZ) and United States (US) 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	4.25%	3%	4.75%-5%
<b>GDP</b>	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
<b>Inflation</b>	10.4%y/y (Feb)	6.9%y/y (Mar)	6.0%y/y (Feb)
<b>Unemployment Rate</b>	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

Q2 of 2022 saw UK Gross Domestic Product (GDP) deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.

Nevertheless, Consumer Price Index inflation (CPI) picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level very much rested on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As at February 2023, CPI was 10.4% and the most recent announcement on 24 May 2023 CPI reduced to 8.7% in April 2023.

The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this was despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the Monetary Policy Committee (MPC) will be concerned that wage inflation will prove tricky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.

In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17<sup>th</sup> of November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.

As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests

economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the Monetary Policy Committee will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the International Labour Organization unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.

Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.

The pound has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.23. Notwithstanding the pound's better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20<sup>th</sup> February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20<sup>th</sup> February, while the S&P 500 is only 1.9% lower over the same period. That's despite UK banks having been less exposed and equity prices in the UK's financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.

**USA.** The main comments from Federal Reserve (Fed) officials over recent months suggest there is still an underlying combative theme to their outlook for interest rates. Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.

As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.

**EU.** Although the Euro-zone inflation rate has fallen below 7%, the European Central Bank (ECB) will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

## Section 6 Borrowing Rates in 2022/23

### 6.1 PWLB Borrowing Rates -

#### HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.45%	5.88%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
<b>Average</b>	3.57%	3.62%	3.76%	4.07%	3.74%
<b>Spread</b>	3.16%	3.26%	3.09%	3.36%	3.26%

PWLB rates are based on gilt (UK Government bonds) yields through HM 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. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned 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.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

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)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Link Group Interest Rate View 20.12.21														
	Dec-21	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	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link Group Interest Rate View 27.03.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50	
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60	
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70	
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10	
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20	
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40	
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10	

## 6.2 Borrowing strategy and control of interest rate risk

During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Finance, ICT and Procurement therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks. Due to the increase in borrowing rates in the last two quarters of 22/23 there has been a move to more short-term borrowing. Interest rates are forecast to fall towards the end of 2024 when longer term borrowing rates may be more advantageous.

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting



during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

## 7. Borrowing Outturn

- 7.1 During 2022/23 the Council funded part of the capital borrowing requirement in the short-term market, increasing temporary borrowing to £75.000m, in March 2023. 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 £13,795m for 2022/23. The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.
- 7.2 During 2023/24 focus will be on monitoring longer term rates and looking to borrow longer term to meet the CFR when appropriate and at the same time consider some short-term borrowing where rates are suitable.
- 7.3 During 2022/23 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 no 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 9**

Loan Type	Borrowed 2022/23 £'000	Repaid 2022/23 £'000	Net £'000
PWLB	35,000	(2,049)	32,951
Market Loans	0	0	0
Temporary borrowing	94,000	(81,000)	13,000
	<b>129,000</b>	<b>(83,049)</b>	<b>45,951</b>

- 7.4 **Debt Re-scheduling** – no external debt was re-scheduled during 202/23 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 Out-turn, and Policy in 2022/23

- 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 3rd March 2023. 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.

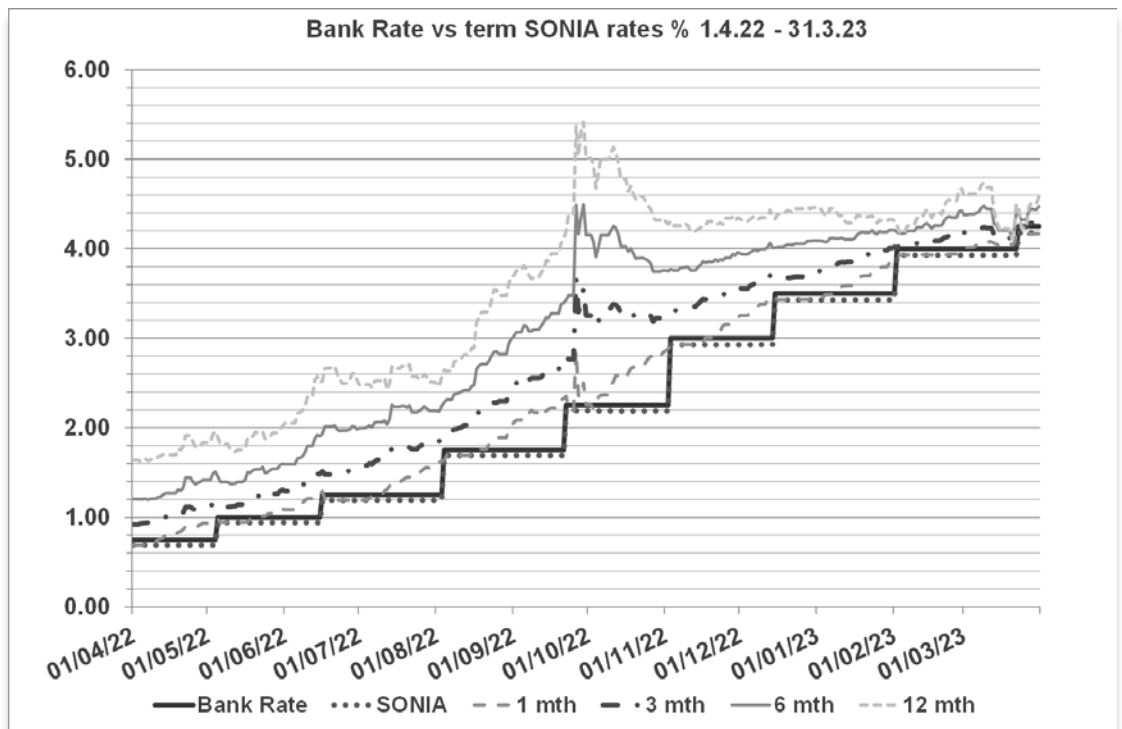
8.3 **Investment Out-turn** – the Council maintained an average balance of £74.7 of internally managed investment funds. The internally managed funds earned an average rate of return of 1.35%.

The comparable performance indicator is the average 90 day SONIA compounded rate which was 1.38%.

**Table 10**

	<b>Average Value of Investments Held</b>	<b>Rate of Return</b>	<b>Benchmark Return*</b>
Investments	£74.669	1.35%	1.38%

*\*The benchmark return used is the 90-day SONIA compounded rate of 1.3804%.*



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 3 March 2023. 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 on 31 March 2023

**Table 11**

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal £000
<b>Deposit</b>	Fixed	15/08/22	14/08/23	Slough Borough Council	Maturity	2.20%	5,000,000
<b>Deposit</b>	Fixed	30/08/22	29/08/23	Slough Borough Council	Maturity	2.25%	5,000,000
<b>Deposit</b>	Fixed	05/09/22	04/09/23	London Borough Of Croydon	Maturity	2.30%	5,000,000
<b>Deposit</b>	Fixed	30/09/22	29/09/23	London Borough Of Croydon	Maturity	2.30%	5,000,000
<b>Deposit</b>	Fixed	06/02/23	05/02/24	Blackpool Borough Council	Maturity	4.10%	5,000,000
<b>Deposit</b>	Fixed	09/01/23	08/01/24	Eastleigh Borough Council	Maturity	4.75%	5,000,000
<b>Fixed Total</b>							<b>30,000</b>
Deposit	Variable	10/05/2016	-	Bank of Scotland (Call A/c)	Variable	4.25	13,155,000
<b>Call Total</b>							<b>13,155</b>
<b>Overall Total</b>							<b>43,155</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 will be progressing in this area throughout 2023/24 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. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

## 1. Policy details

Policy Title	Treasury Management Annual Report 2022/23
Lead Officer (Name/Position/Email)	Tim Baulk, Head of Finance, ICT and Procurement – 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 – (issues specific to women & men or girls & boys)	-	-

Community or Groups of People	Negative Impacts	Positive impacts
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 i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). 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)
<b>Eliminate unlawful discrimination, harassment and victimisation</b>	Low
<b>Advance equality of opportunity</b> between people who share a protected characteristic and those who do not	Low
<b>Foster good relations</b> 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

<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> )	<del>YES</del> <b>NO</b>
<b>Rationale for decision:</b>  <b>This report presents to the Panel the annual report of treasury management activities for 2022/23 Their decision on this has no specific equality implications</b>	
<b>Signed :</b> Tim Baulk	<b>Head of Service</b>
<b>Date:</b> 16 June 2023	