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30 August 2023

**To: Councillors Dettbarn (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, 6 September 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. Call-ins from Cabinet.
3. Minutes of previous meeting of 28 June 2023 (copy herewith).
4. Action Log and Work Programme (copy herewith).

## **External Audit Reports**

5. Audit Scotland: Scotland's City Region and Growth Deals - Submit report by the Director of Strategic Changes and Communities (copy herewith).

### **Internal Audit Reports**

6. Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC) - Submit report by the Chief Internal Auditor (copy herewith).
7. 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 (iv) Quality Assurance and Improvement Programme Update - Submit report by the Chief Internal Auditor (copy herewith).

### **Other Governance Reports**

8. Strategic Risk Management - Submit report by the Head of Legal and Regulatory Services (copy herewith).
9. Treasury Management and Investment Strategy Quarter 1 Update Report 2023/24 - 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 28 June 2023 at 10.00 a.m.

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

Present  
Remotely: Councillors Kenny Bell and Mary Kilpatrick.

Apology: Councillor Chris Cullen.

Attending in  
County Hall: E. Howat, Chief Executive; J. Bradley, Director of Strategic Change and  
Communities; C. Caves, Head of Legal and Regulatory Services;  
W. Carlaw, Service Lead – Democratic Governance; T. Simpson, Service  
Lead – Corporate Accounting; K. Anderson – Service Lead – Policy,  
Performance and Community Planning; C. McGhee, Chief Internal Auditor;  
L. Kerr, Service Lead – Destination South Ayrshire; K. Copland, Senior  
Accountant/Senior Finance Officer; A. Kerr and F. Mitchell-Knight, Audit  
Scotland; A Gibson, Committee Services Officer; and E. Moore, Clerical  
Assistant.

Attending  
Remotely: G. Hunter, Assistant Director – Communities; T. Eltringham, Director of  
Health and Social Care; T. Burns, Service Lead – Asset Management and  
Community Asset Transfer; J. Christie, Information and Data Compliance  
Officer.

**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.

**Variation in Order of Business.**

In terms of Council Standing Order No 13.3, the Panel agreed to vary the order of business as hereinafter minuted.

**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.

**2. Call-ins from Cabinet.**

The Panel noted that there were no call-ins from Cabinet of 20 June 2023.

**3. Minutes of Previous Meeting.**

The Minutes of the meeting of 31 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](#)).

Having heard the Chief Executive, the Panel

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

**External Audit Reports.**

**5. External Audit Reports – Progress to 31 March 2023.**

There was submitted a report ([issued](#)) of 16 June 2023 by the Head of Finance, ICT and Procurement providing an update on the progress that the Council was making in relation to external audit improvement actions.

The Panel

**Decided:**

- (1) to note the progress against the Council's external audit improvement actions, as presented in the report; and
- (2) to agree that the deadline date for the action listed in Appendix 1 of the report, which was still outstanding, be continued until 31 December 2023, to allow discussions to conclude.

**6. Best Value Thematic Work in South Ayrshire Council 2022/23.**

There was submitted a report ([issued](#)) of 19 June 2023 by the Chief Executive advising of the initial findings from Audit Scotland's recent Best Value thematic work in South Ayrshire.

Having heard the Chief Executive introduce the report, F. Mitchell-Knight, Audit Scotland gave a background to the report and amongst other things, listed the key messages arising from the report; advised that the Accounts Commission had asked Audit Scotland to address the issue of inequalities; and that the report laid out where leadership had made progress and also where improvements were required.

A Member of the Panel advised that in relation to Sustainability, Climate Change and Biodiversity, as detailed in Appendix 1 of the report, we needed to consider improved reporting.

After a Member of the Panel raised the issue of self-assessment, F. Mitchell- Knight, Audit Scotland advised that she was disappointed that self-evaluation was focussed on individual services within the Council and there was a lack of a corporate approach.

A Member of the Panel advised that he would have liked to have seen more emphasis around the culture of the organisation in the report. He also advised that, in his view, the role of scrutiny in this Council was seen to be problematic, that there should be peer evaluation and 360 evaluation in the Council; that appropriate resources should be built around things that matter; and that the Chief Executive should be responsible for Best Value. F. Mitchell-Knight, Audit Scotland advised that Best Value was a collective responsibility of all – elected members and officers and that scrutiny as a key development of a Performance Management framework was crucial. She also indicated that scrutiny was key to challenging Council decisions and noted that Service Plans would be considered at a Council meeting the day following this meeting.

The Head of Legal and Regulatory Services advised that scrutiny had been key in this Council and that the Chief Executive had recently written to all members emphasising the importance of scrutiny, that scrutiny induction training had taken place, and that a further scrutiny training session by the Improvement Service was being arranged.

Having heard a Member of the Panel, the Panel adjourned to allow a Member to discuss with officers, the terms of a proposed Motion.

Upon reconvening, the Service Lead - Democratic Governance read out the terms of the Motion as detailed at (3) below.

In terms of Standing Order No. 19.9, there was no general agreement to the unopposed motion, therefore, the Panel moved to a vote undertaken for or against the Motion. Four Members voted for the Motion and three Members against and the Panel

**Decided:**

- (1) to note the draft Audit Scotland report on Best Value thematic work in South Ayrshire Council 2022/23, as detailed in Appendix 1 of the report);
- (2) to note the draft improvement action plan included in Appendix 1 of the Audit Scotland report;
- (3) to recommend to the Best Value Working Group who will complete a report to Cabinet in August 2023, the following:-
  - (a) a detailed work and action plan to support the tracking of strategic priorities;
  - (b) that leadership decision making and consultation were supported by robust evidence and rationale;

- (c) that the P.I. Framework was fit for purpose, be kept up to date monitored and evaluated and presented/reported in different formats with a particular focus on public reporting; and
- (d) that the Appointments and Appraisal Panel consider how they monitor officer performance against Best Value and the Best Value Working Group consider how elected member contribution was monitored.

## **7. Delivering Good Governance - 2022/23 Assessment.**

There was submitted a report ([issued](#)) of 16 June 2023 by the Head of Legal and Regulatory Services regarding the review the 2022/23 year-end assessment against the Council's Delivering Good Governance Framework.

The Service Lead – Democratic Governance gave a background and update to the report.

A Member advised that, in the spirit of self-evaluation and in relation to page 15 of Appendix 1, where it stated that “All Panel and Council reports include ‘Risk Implications of Accepting or Rejecting Recommendations’”, should a sample of these be reviewed to see if they were being used successfully, the Chief Executive advised that she would take this on board.

Having heard an unopposed motion to agree the 2022/23 year-end assessment as set out in Appendix 1 of the report and that the Chief Executive take on board the request detailed in the paragraph above, a Member requested a roll-call.

The Service Lead – Democratic Governance called the roll as follows:-

Councillor Henderson – for the Motion  
 Councillor Bell – for the Motion  
 Councillor Kilpatrick – for the Motion  
 Councillor McGinley – for the Motion  
 Councillor Ramsay – for the Motion  
 Councillor Scott – for the Motion  
 Councillor Weir – for the Motion

Consequently, the Panel

**Decided:** to agree

- (1) the 2022/23 year-end assessment as set out in Appendix 1 of the report; and
- (2) that the Chief Executive would undertake a review to ascertain if the risk implications detailed in Council/ Panel reports were being used successfully.

## 8. Internal Audit Annual Report 2022/23.

There was submitted a report ([issued](#)) of 16 June 2023 by the Chief Internal Auditor

- (1) presenting the annual report on the internal audit activity during 2022/23; and
- (2) providing 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.

Having heard the Chief Internal Auditor provide a background to the report, a Member of the Panel enquired if there was anything useful to be gleaned from the actions arising as listed, the Chief Internal Auditor advised that all the actions arising out of audits would be considered when carrying out audits in other areas.

The Panel

**Decided:** to note the contents of the report.

## 9. Annual Accounts 2022/23.

There was submitted a report ([issued](#)) of 20 June 2023 by the Head of Finance, ICT and Procurement presenting the unaudited Annual Accounts for the year ended 31 March 2023 ('the unaudited Accounts').

Having heard the Service Lead – Corporate Accounting in relation to the report and following question from a Member of the Panel, it was agreed that the Service Lead – Corporate Accounting would provide Members with details of Common Good transactions.

In relation to Appendix 1, Note 31 "Accounting standards issued not adopted" and having heard a Member ask what the phrase "no material impact" referred to, the Service Lead – Corporate Accounting advised that it was a matter that may have had an impact but that it was not expected to be material.

The Panel

**Decided:**

- (1) to approve the accounting policies as contained in Appendix 1 to be used in preparing the 2022/23 Annual Accounts;
- (2) to note the unaudited Annual Accounts as detailed Appendix 1 of the report, noting that all figures remain subject to audit;
- (3) to note the unaudited Charitable Trust Accounts, as detailed in Appendix 2 of the report and that all figures remained subject to audit; and
- (4) to request the Head of Finance, ICT and Procurement to report back to the Panel following completion of the audit.

**10. Corporate Lets.**

There was submitted a report ([issued](#)) of 16 June 2023 by the Director of Strategic Change and Communities providing an annual update in relation to requests for discretion to be applied to let charges from 1 April 2022 31 March 2023.

Having heard Members of the Panel, it was agreed that more information be given in future reports relating to:- the reasons around the Approved Discretion Applications being clearer; more evidence around why particular applications were rejected; the criteria used for approving applications; and a list of the premises that had been let.

The Panel

**Decided:** to note the contents of the report.

**11. Treasury Management Annual Report 2022/23.**

There was submitted a report ([issued](#)) of 16 June 2023 by the Head of Finance, ICT and Procurement presenting, 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.

Having heard the Service Lead – Corporate Accounting in further explanation of the report, he responded to a Member in giving further detail as to paragraph 4.4 of the report. The Senior Accountant further advised that any borrowing undertaken was at the best rate that could be secured to minimise the cost of the loans taken on. The Service Lead – Corporate Accounting advised that controls were in place to minimise risk in relation to future banking sector volatility that may affect Council investments.

Having considered the Annual Treasury Management Report 2022/23, as detailed in Appendix 1 of the report, the Panel

**Decided:** to remit the Annual Treasury Management Report to the next Cabinet meeting, scheduled to take place on 22 August 2023 for approval.

**12. Closing Remarks.**

In light of Councillor Henderson's imminent retirement as a Councillor and as this was his last meeting of this Panel, various Members wished him well for the future. Councillor Henderson responded in suitable terms.

The meeting ended at 11.45 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	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	Scheduled for 30 October 2023	<b>NO</b>
2.	28 June 2023	Delivering Good Governance - 2022/23 Assessment	A Member advised that, in the spirit of self-evaluation and in relation to page 15 of Appendix 1, where it stated that “All Panel and Council reports include ‘Risk Implications of Accepting or Rejecting Recommendations”, should a sample of these be reviewed to see if they were being used successfully.	Head of Legal and Regulatory Services/ Service Lead – Risk and Safety	It is proposed submit a report on this matter to the Panel on 8 November 2023	<b>NO</b>
3.	28 June 2023	Annual Accounts 2022/23	Provide Members with details of Common Good transactions.	Service Lead – Corporate Accounting	Information emailed to Members on 11 August 2023	<b>YES</b>

## Audit and Governance Panel

### Work Programme 2023

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
1.	<b>Strategic Risk Management</b>	Report to this Panel	Head of Legal and Regulatory Services	6 September 2023 (Biannually)	Report to this Panel
2.	<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 (progress reported quarterly)	Report to this Panel
3.	<b>Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)</b>	Report to Panel	Chief Internal Auditor	6 September 2023	Report to this Panel
4.	<b>Audit Scotland: Scotland’s City Region and Growth Deals</b>	Report to Panel	Director of Strategic Change and Communities	6 September 2023	Report to this Panel
5.	<b>Treasury Management and Investment Strategy Quarter 1 Update Report 2023/24</b>	Report to Panel	Head of Finance, ICT and Procurement	6 September 2023 (reported quarterly following changes to Code of Practice)	Report to this Panel
6.	<b>Final Report on the 2022/23 Audit</b>	Report to this Panel	Head of Finance, ICT and Procurement	27 September 2023 ( <b>Special</b> )	
7.	<b>Accounts Commission Annual Report 2022/23</b>	Report to this Panel	Head of Finance, ICT and Procurement	4 October 2023 (Annually)	

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
8.	<b>Audit Scotland: Fraud and Irregularity 2022/23</b>	Report to this Panel	Head of Finance, ICT and Procurement	4 October 2023	
9.	<b>Audit Scotland: Local Government in Scotland Overview</b>	Report to this Panel	Director of Strategic Change and Communities	4 October 2023	
10.	<b>Best Value Action Plan 2023/24 - Update</b>	Report to this Panel	Director of Strategic Change and Communities	4 October 2023 (Quarterly)	Being deferred from 6 September 2023 Panel
11.	<b>Corporate Fraud Team Activity Report</b>	Report to this Panel	Chief Internal Auditor	6 December 2023 (Biannually)	
12.	<b>External Audit Reports – Progress to 30 June 2023</b>	Report to Panel	Head of Finance, ICT and Procurement	6 September 2023 (Quarterly)	Item to be deferred to 6 December 2023 as no change from report to June AGP
13.	<b>Annual Audit Plan 2023/24</b>	Report to Panel	Head of Finance, ICT and Procurement	March 2024 (Yearly)	
14.	<b>Annual Accounts 2023/24</b>	Report to this Panel	Head of Finance, ICT and Procurement	June 2024 (Yearly)	
15.	<b>Delivering Good Governance – 2023/24 Assessment</b>	Report to Panel	Head of Legal and Regulatory Services	June 2024 (Yearly)	

## Audit and Governance Panel

No	Issue	Actions	Assigned To	Due Date To Panel	Latest update
16.	<b>Internal Audit Annual Report 2023/24</b>	Report to Panel	Chief Internal Auditor	June 2024 (progress reported quarterly)	
17.	<b>Treasury Management Annual Report 2023/24</b>	Report to Panel	Head of Finance, ICT and Procurement	June 2024 (Annually)	

**South Ayrshire Council**

**Report by Director of Strategic Change and Communities  
to Audit and Governance Panel  
of 6 September 2023**

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**Subject:      Audit Scotland: Scotland’s City Region and Growth Deals**

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**1.      Purpose**

1.1      The purpose of this report is to provide an update on the progress of the audit recommendations for Scotland’s City Region and Growth Deals, as reported in the national Audit Scotland June 2023 publication ‘Scotland’s City Region and Growth Deals - Progress of the 2020 audit report recommendations’ and consider South Ayrshire Council’s response to these audit recommendations.

**2.      Recommendation**

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

**2.1.1      considers the Audit Scotland report ‘Scotland’s City Region and Growth Deals: Progress of the 2020 audit report recommendations’ (attached as Appendix 1);**

**2.1.2      notes the ‘Learning for future challenges’ on page 18 of the report and as referenced at 3.6; and**

**2.1.3      considers the actions taken by South Ayrshire Council to respond to challenges presented in delivering the Ayrshire Growth Deal (AGD) as highlighted in Section 4.**

**3.      Background**

3.1      In 2016/17 SAC agreed to set aside £600,000 from general reserves to fund the set up of the Ayrshire Growth Deal. In the first few years this was used to contribute to the development of the Deal. The balance remaining in the reserve at the start of 2020/21 was £399,196. The central Portfolio Management Office (PMO), overseen by East Ayrshire Council, was established at the end of 2019/20 and since 2020/21 this reserve has been used as a source of funds to contribute to the resourcing of the PMO.

3.2      In June 2023, the Accounts Commission and the Auditor General published a report prepared by Audit Scotland, titled *Scotland’s City Region and Growth Deals - Progress of the 2020 audit report recommendations* (Appendix 1). The report looks at progress against 11 recommendations made in a previous report published in January 2020, which provided an early assessment of the Deals.

- 3.3 The Ayrshire Growth Deal was signed on 19 November 2020 and secured £251.5 million worth of funding to help realise Ayrshire's potential as a world-class business region. South Ayrshire Council is a partner authority, along with North Ayrshire and East Ayrshire Councils. South Ayrshire Council is the Lead Authority for the Space and Aerospace programme comprising: Spaceport; Commercial Build; Aerospace and Space Technology Centre (ASTAC); Roads infrastructure and pan-Ayrshire Digital projects.
- 3.4 The previous 2020 Audit Scotland report explored four key themes of: governance and accountability; partnership working; financial management and; measuring success. It noted that accountability and scrutiny arrangements were still evolving, and it was not always clear how the success of the deals would be measured. It also highlighted risks around the capacity of councils and their partners to deliver deal projects against a challenging backdrop for the public sector and included 25 recommendations for the Scottish Government and Scottish councils, summarised as Exhibit 1.
- 3.5 The updated 2023 report summarises progress against the actions and recommendations:
- *Overall, there has been good progress against key 2020 audit recommendations. Scotland's City Region and Growth Deals are bespoke packages of funding, which means the governance and partnership arrangements vary across the deals.*
  - *Deals are at different stages of delivery, but governance, scrutiny, and risk management arrangements have been strengthened locally and nationally. The Scottish Government and deal partners are closely monitoring the risks to project delivery arising from increasing costs.*
  - *Partners are working well together and there is progress with ensuring deals are aligned with wider opportunities to support economic growth for the region.*
  - *Deals have made progress with plans to assess the longer-term impact of this investment on communities, but they are at different stages and recognise there is still more they can do in this area.*
- 3.6 A snapshot of common risks that present current challenges to deals is presented on page 13 of the report and includes: inflation and cost pressures; lack of resource including for partners' staffing to adequately manage deals and funding for PMO (Portfolio Management Office) functions; delays from issues such as Covid-19 and Brexit; deal targets not met and the long-term sustainability of projects.
- 3.7 Page 18 of the report provides 'Learning for future challenges' which have been considered by Council officers with management and leadership responsibilities for South Ayrshire Council Growth Deal projects.

## **4. Proposals**

- 4.1 The Audit report highlights that developing deals can put extra pressure on teams that are already stretched, and recognises the capacity challenges for Councils in meeting programme management and delivery requirements.

- 4.2 As part of a SAC senior management re-structure in autumn 2022, responsibility for delivery of the AGD programme transferred from the Council's Economy & Regeneration Service to Special Property Projects. This was to reflect the requirement to move AGD projects from business case development into capital delivery and followed approval of the Full Business Case (FBC) for the AGD Commercial Build project.
- 4.3 The Assistant Director – Strategic Change assumed responsibility as Senior Responsible Officer (SRO) for the AGD and Project Lead roles were revised to align with project delivery requirements. A new post of Special Property Projects Co-ordinator – Ayrshire Growth Deal, funded by the AGD capital budget, was created to provide programme management and delivery support.
- 4.4 A temporary 2 year Support Officer post, appointed in October 2021, was created to handle the ongoing administrative and reporting requirements for AGD projects highlighted as a risk for partners in the Audit report.
- 4.5 The Assistant Director – Communities has responsibility for the Council's Economy and Regeneration Service, providing leadership and intel on funding opportunities across the Council, including those which can further support delivery of AGD projects.
- 4.6 The Assistant Director – Communities is a member of the Regional Economic Strategy steering group, representing South Ayrshire Council and supporting development of the regional strategy and actions to promote regional prosperity.
- 4.7 The AGD Steering Group, formalised upon Council approval of the SAC AGD Governance arrangements in May 2021 and chaired by the Chief Executive, is the Chief Officer group providing overall strategic direction and accountability for the AGD projects. The Steering Group is represented by Directors and Heads of Service, bringing supporting services together to deliver the Deal and ensure the benefits of the AGD can be realised across our services and communities.
- 4.8 Internal Risk and Change Management operating arrangements for AGD projects were developed and implemented in 2021 and are reviewed continually by officers to ensure they are relevant and fit for purpose, and continue to align with regional governance arrangements.
- 4.9 AGD projects were reviewed early 2023 as a result of the requirement for each Authority to submit annually updated Implementation Plans to the PMO and governments. All SAC AGD projects have been impacted by inflation and cost pressures and delays due to COVID, as referenced in the Audit report. New Plans with updated milestones and deliverables were approved by the Ayrshire Economic Joint Committee in May 2023.
- 4.10 Updates on the AGD programme and projects are brought forward to Cabinet every 6 months or earlier if required. Regular milestone and financial monitoring and reporting is undertaken by the Ayrshire Economic Joint Committee and Partnership Board. The AGD is a key deliverable within the Special Property Projects Service Plan with performance scrutiny via the Council's Service Partnerships and Performance 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 At the end of 2022/23 the AGD committed reserve had a balance of £0.195m remaining which means that, assuming the future PMO contribution level remains at similar levels as to previous years, there is sufficient funding to meet circa two further full year costs plus a part year three. Further reserves or funding will require to be identified in the medium term to allow the continuation of SAC's contribution towards the PMO.
- 6.2 The Audit report at Appendix 1 highlights the impact of inflation and cost pressures across Regional and City Deals.
- 6.3 Further spend on development work undertaken by SAC on the Ayrshire Growth Deal projects is at risk until approval of the respective FBC's. As at the date of the report Full Business Cases for the following projects remain to be approved: Spaceport; Roads; Digital; ASTAC.

## **7. Human Resources Implications**

- 7.1 The Audit report highlights resourcing issues for partners' staffing to adequately manage deals and resource issues for central PMO functions.

## **8. Risk**

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

- 8.1.1 None.

### **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 and an inability to deliver the requirements of the AGD.

## **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)*** - The proposals in this report do not represent a qualifying plan, programme, policy or strategy for consideration for SEA. There exists therefore no obligation to contact the Scottish Government Gateway and no further action is necessary. An SEA has not been undertaken.



## **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 - Work and Economy – Everyone benefits from a local economy that provides opportunities for people and helps our businesses to flourish.

## **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 Bob Pollock, Portfolio Holder for Economic Development and the contents of this report reflect any feedback provided.

**Background Papers**     [Audit Scotland report - Scotland's City Region and Growth Deals – January 2020](#)

**Report to Leadership Panel of 25 May 2021 - [Ayrshire Growth Deal \(AGD\) - Portfolio Governance](#)**

**Person to Contact**     Louise Reid, Assistant Director – Strategic Change  
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**Date:** 28 August 2023

# Scotland's City Region and Growth Deals

Progress of the 2020 audit report recommendations



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Prepared by Audit Scotland  
June 2023

# Background

## Measuring the impact of our work

In January 2020, the Accounts Commission and the Auditor General published a report on City Region and Growth Deals. This provided an early assessment of the deals and found that they had been developed with limited transparency. Accountability and scrutiny arrangements were still evolving, and it was not always clear how success of the deals would be measured. It also highlighted risks around the capacity of councils and their partners to deliver deal projects against a challenging backdrop for the public sector. The report made 25 recommendations for the Scottish Government and Scottish councils.

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City Region and Growth Deals are packages of funding agreed between the Scottish Government, the UK Government and local partners. They are designed to bring about long-term improvements to regional economies, attracting additional investment, creating new jobs and accelerating inclusive economic growth.

Source: [SHRED](#)

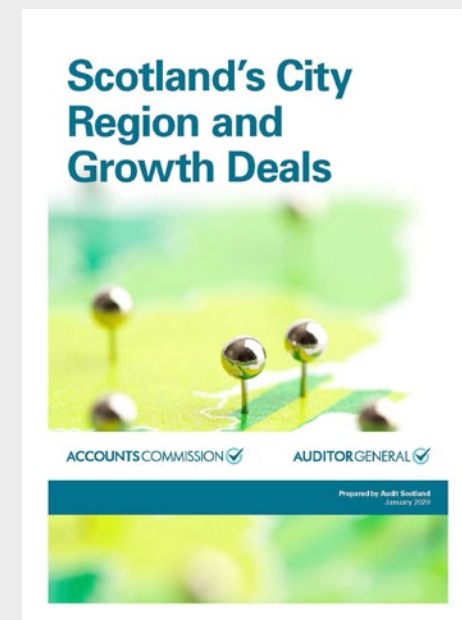
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Audit Scotland has been developing its approach to monitoring, evaluating and reporting on the impact of our work. As part of this pilot work, we have looked at progress against 11 of the recommendations made about City Region and Growth Deals. This is not a full follow-up audit to assess individual deals. As proportionality is one of the principles for this pilot work on assessing our impact, we grouped the 2020 recommendations ([Exhibit 1, page 4](#)) by themes to identify those we felt would add the greatest value on which to report.

Previous work on measuring impact has shown us that it can be challenging to separate our contribution to specific outcomes from the contribution of other stakeholders. Nonetheless, this pilot work has provided a good opportunity to help improve our understanding of the difference our audit work makes. Alongside reporting progress with recommendations, we set out some key developments in the regional economic landscape since our last report.

## Our methodology

In this briefing we refer to City Region Deals and Growth Deals as deals. All councils in Scotland are part of a deal ([Exhibit 2, page 5](#)). We reviewed published information on deals, surveyed management teams for the 12 deals and met with a sample of four. We also met with key stakeholders from the Scottish Government and reviewed relevant information provided to us on progress against 2020 recommendations.



## Summary of progress



Overall, there has been good progress against key 2020 audit recommendations. Scotland's City Region and Growth Deals are bespoke packages of funding, which means the governance and partnership arrangements vary across the deals.



Deals are at different stages of delivery, but governance, scrutiny, and risk management arrangements have been strengthened locally and nationally. The Scottish Government and deal partners are closely monitoring the risks to project delivery arising from increasing costs.



Partners are working well together and there is progress with ensuring deals are aligned with wider opportunities to support economic growth for the region.



Deals have made progress with plans to assess the longer-term impact of this investment on communities, but they are at different stages and recognise there is still more they can do in this area.





## Deal developments since 2020 report

Deals aim to play an important role in stimulating employment, productivity, and economic growth in Scotland. They represent a long-term funding commitment for Scottish economic development, and this has enabled projects to progress that may otherwise not have gone ahead. There are now 12 deals in place across Scotland. [Exhibit 2](#) shows the councils involved in each of the deals and a map of deal boundaries. Deals in Scotland are at different stages of development ([Exhibit 3, page 6](#)). Each deal starts with heads of terms which provides outline details on projects. This gets developed into a final signed deal agreement and moves into delivery stage. Falkirk Growth Deal and Argyll and Bute Rural Growth Deal are at heads of term stage and yet to be signed. Funding for the deals is shown in [Exhibit 4 \(page 14\)](#).

# Exhibit 1.

## Key recommendations from the 2020 report

Recommendations are prioritised and grouped into themes.

			
<b>Governance and accountability</b>	<b>Partnership working</b>	<b>Financial management</b>	<b>Measuring success</b>
<p>Councils<sup>1</sup> should regularly review their governance, monitoring and risk management arrangements to ensure they are clear and operating effectively, and consider the ways that internal audit can provide assurance on this.</p> <p>The Scottish Government and councils should consider how best to make more information publicly available as to the reasons behind key decisions on funding and project selection for signed deals and those still in development, to promote understanding and support effective scrutiny.</p> <p>Councils should ensure deals are aligned with an agreed regional economic strategy, with input from a wide range of partners, and can demonstrate how they will help deliver national and local priorities for economic development.</p>	<p>The Scottish Government and councils should improve arrangements for sharing knowledge and learning across deals in the interest of improving the deal process.</p> <p>Councils should ensure a wide range of partners and stakeholders, including local businesses, voluntary organisations, communities and community planning partners, are involved in the deal development and agreement process and as the deal progresses.</p>	<p>Councils should regularly monitor the risk of partner funding not materialising as agreed and be aware of their own financial implications if that risk is realised.</p> <p>Councils should look at how deals affect their longer-term financial plans, capital programmes and borrowing strategies.</p> <p>The Scottish Government should explain in medium- and long-term financial plans how it will fund deals from its budget and how this relates to ongoing financial support for local government.</p>	<p>The Scottish Government should develop arrangements for measuring the impact of the overall deals programme, in particular how it has taken account of outcomes set out in the National Performance Framework and whether it has achieved value for money.</p> <p>The Scottish Government should clarify for partners how they should plan for and then measure and report on the impact of individual deals, including their delivery of inclusive growth. This is especially urgent for shorter-term deals that are already in the delivery stage.</p> <p>Councils should consider how they will measure the full long-term impact of the deal and whether it has achieved value for money. This should include consideration of arrangements for collecting and analysing data on different groups in their communities to allow the impact of deals on minority and disadvantaged groups to be evaluated.</p>

Note: 1. Although recommendations were originally addressed to councils, we report progress with deals more generally.

Source: Audit Scotland

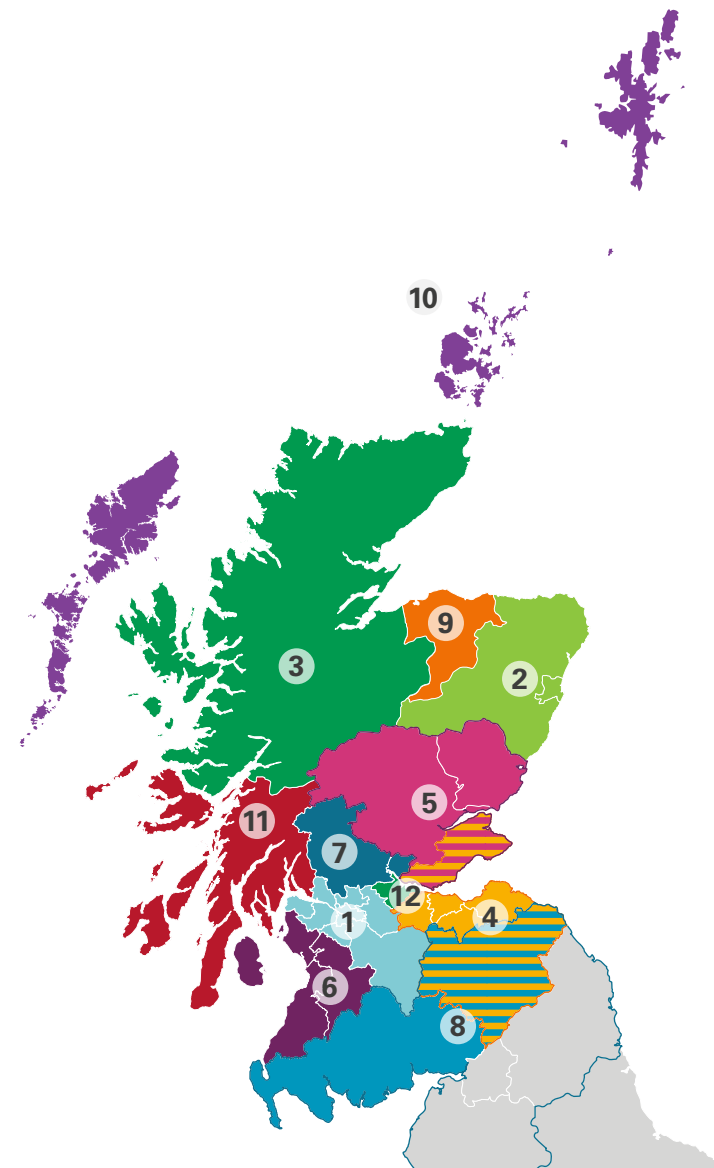
## Exhibit 2.

### Map showing deal boundaries and the councils involved in each deal

Deal	Councils
1 Glasgow City Region Deal	Glasgow City, East Dunbartonshire, East Renfrewshire, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire, West Dunbartonshire
2 Aberdeen City Region Deal	Aberdeen City, Aberdeenshire
3 Inverness and Highland City Region Deal	Highland
4 Edinburgh and South East Scotland City Region Deal	City of Edinburgh, Fife, East Lothian, Midlothian, Scottish Borders, West Lothian
5 Tay Cities Region Deal	Angus, Dundee City, Fife, Perth and Kinross
6 Ayrshire Growth Deal	East Ayrshire, North Ayrshire, South Ayrshire
7 Stirling and Clackmannanshire City Region Deal	Stirling, Clackmannanshire
8 Borderlands Inclusive Growth Deal	Dumfries and Galloway, Scottish Borders, Carlisle City, Cumbria, Northumberland
9 Moray Growth Deal	Moray
10 Islands Growth Deal	Na h-Eileanan Siar, Orkney Islands, Shetland Islands
11 Argyll and Bute Rural Growth Deal	Argyll and Bute
12 Falkirk Growth Deal	Falkirk

Note: Borderlands Inclusive Growth Deal includes five councils (two in Scotland and three in England).

Source: Audit Scotland






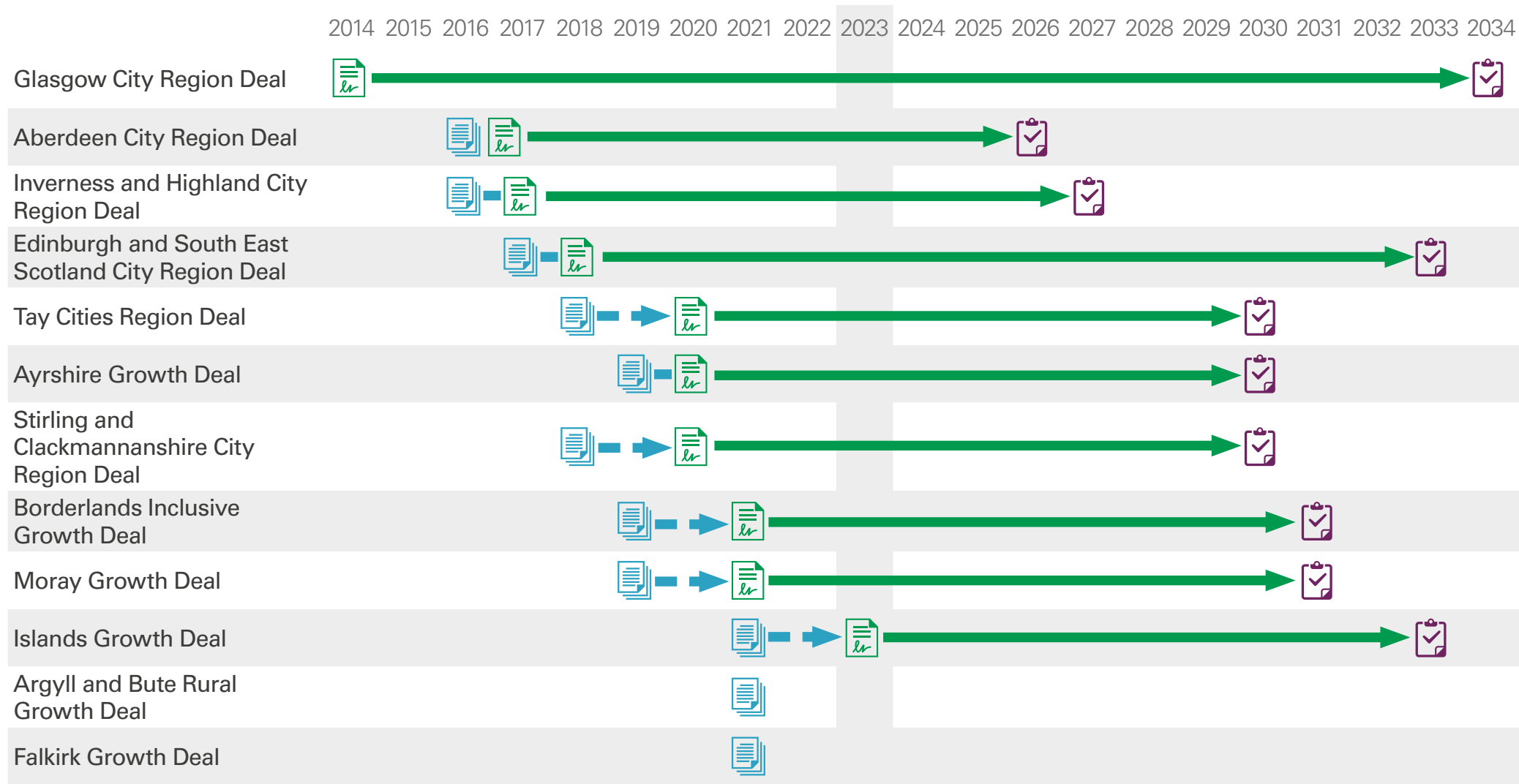
# Exhibit 3.

## Timeline and stages of the deals

Deals generally run for ten years or longer.

**Key**

-  Heads of terms agreed
-  Deal is signed
-  Deal ends



Source: Audit Scotland

# Governance and partnerships

1. Deals bring together UK Government, the Scottish Government, councils and sometimes other partners, such as local businesses, and universities to deliver a range of infrastructure, skills and digital projects that support growth in cities and regions. With such a wide range of partners, everyone involved needs to be clear about their roles and responsibilities. Internal audit can help deals ensure governance arrangements are operating effectively.

## Deal partners are regularly reviewing the deal's governance arrangements

2. Governance arrangements vary between individual deals as the partners decide on the most suitable local governance structure. We reported in 2020 that there was lack of clarity in some arrangements and it was not always clear how different bodies would be held to account if things went wrong.

3. Our impact work found good progress with clarifying lines of accountability, escalation processes and risk management arrangements. Key documentation, such as the final deal document and governance frameworks, set out the accountable and decision-making body for the deal.

4. Regularly reviewing governance is a chance for deals to reflect on arrangements and to ensure structures are still fit for purpose. We found that deals are regularly keeping arrangements under review. The format of a review and what it covers varies, but examples we found include:

- Terms of Reference for the Aberdeen City Region Deal Programme Board are reviewed annually and updated to include new membership or other changes.
- The Ayrshire Growth Deal has specified the role of internal audit within its governance documents. The Chief Auditor was involved at initial deal development stage. Summary internal audit reports are regularly presented to the Ayrshire Economic Joint Committee.
- Edinburgh and South East Scotland City Region Deal's overall programme risk register is reviewed and updated on a quarterly basis. It is discussed at the City Region Directors' Group every quarter and then taken to the Executive Board for consideration. The top three risks are included in the programme risk register and published every quarter as part of the Joint Committee papers.

## Deals ensure a wide range of partners are involved but information is not always easy to find

5. Deals have made good progress in raising public awareness and ensuring information is accessible to stakeholders and communities; for example, user-friendly websites that set out governance arrangements, the different projects they are working on, the benefits they expect and progress with these. However, this is not consistent across all deals and in some cases decisions and information on project selection are hard to find in council committee papers. We cover what has been put in place for evaluating the progress and success of deals on [page 15](#).



## There have been improvements to the national governance of the deals programme

**6.** The role of the national governing body for signed deals was still evolving when we last reported. The remit of the Scottish City Region Deal Delivery Board (SCRDDDB), which is a joint Scottish Government and UK Government board, is now clearly set out and governance is regularly reviewed to ensure it is operating effectively.

**7.** The Scottish Government monitors the progress of the overall deals programme, with dashboards tracking the approval of business cases, funding allocation and alignment with policy areas. Deals in delivery are required to provide quarterly finance and performance returns and monthly finance forecasts.

**8.** Since 2020, the frequency of meetings between individual deals and the Scottish Government has increased, and both parties recognise the benefit of this engagement.

## There are clearer links between deals and economic development priorities

**9.** We reported in 2020 that deals in the development stage should set out how they take account of national and local priorities for economic development.

**10.** The process of developing the initial strategic outline case for a deal has encouraged partners to focus on a list of priority projects that will benefit their area and also align with national policies. These projects are agreed with the UK and Scottish governments, allowing for

heads of terms to be signed. Projects are continually assessed by both governments using HM Treasury's Green Book guidance. Governments approve outline business cases and endorse full business cases.<sup>1</sup> The relevant deal joint committee then approves the full business case.

**11.** Most deals share business cases with relevant policy leads at the Scottish Government and UK Government as an opportunity to ensure plans and projects align with latest policy context.



### Examples of ways deals are ensuring a wide range of partners and stakeholders are involved throughout the process:

- wide-ranging stakeholder mapping exercise prior to the approval of business cases for the deal projects to ensure buy-in from businesses, Higher and Further Education sector and the third sector
- public consultation to get views on the deal proposal, delivered through citizen panel, council website, community planning and youth services
- setting out expectations on stakeholders' involvement in business case appraisal
- stakeholders taking the lead in delivering projects, or leading individual project boards.

<sup>1</sup> As one of first deals in the UK, governance arrangements for the Glasgow City Region Deal differ. Glasgow City Region Cabinet approve business cases.

## There is an increasing focus on regional economic partnerships

12. Deals have been a key driver for regional collaboration between councils and their partners. Regional Economic Partnerships (REPs) are building on the structures and learning from deal arrangements.

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Regional Economic Partnerships are collaborations between local government, the private sector, education and skills providers, enterprise and skills agencies and the third sector to deliver economic prosperity across Scotland's regions.

Source: Scottish Government

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13. For these partnerships to work effectively, they need to have a strategy that sets out the vision for their region and the outcomes they expect to achieve.

14. [Exhibit 2](#) shows that the boundaries of the 12 deals vary, for example some deals include more than one council. As set out in the Scottish Government's recently published paper, [Regional Economic Policy Review – regional perspective](#), there are differences between deals' geographical areas and REP geographical areas. There are currently 12 deals but only eight REPs, although these are at different stages of development.

15. In 2020, we recommended that deals should be aligned with a regional economic strategy. The landscape continues to evolve but currently the following five regional economic strategies are in place. These strategies recognise the importance of connecting deal programmes to wider regional goals and policy.

- North East Regional Economic Strategy 2015–2035
- Edinburgh and South East Scotland Regional Prosperity Framework 2021–2041
- Glasgow City Region Economic Strategy 2021–2030
- Tay Cities Region Economic Strategy 2019–2039
- South of Scotland Regional Economic Strategy 2021–2031.



### Examples of regional partners building on governance structures that were developed for deals:

- The Edinburgh and South East City Region Deal established an Elected Member Oversight Committee in 2021 to provide oversight of the Regional Prosperity Framework and Regional Spatial Strategy. This also includes representation from the constituent councils, HE/FE sector, business sector and third sector.
- The Chief Executives of Glasgow City Region Deal are reviewing governance structures as a result of new regional funding streams such as the UK shared prosperity fund. A report setting out proposed changes is expected in 2023.
- Tay Cities Deal Joint Committee has a wider role to lead regional collaboration more broadly, including strategic oversight of regional spatial planning.

## Arrangements for sharing learning have improved

**16.** In 2020, we recommended that the Scottish Government and councils should improve arrangements for sharing knowledge and learning across deals. There has been good progress against this recommendation. Examples include:

- The Scottish Government recently launched the Scottish Hub for Regional Economic Development to share knowledge across areas such as the wellbeing economy, inclusive growth, community wealth building, REPs and carbon management.

- The Scottish Government issued carbon accounting and management guidance to support a coordinated approach across deals. The guidance helps partners work towards net zero, account for the carbon impact of projects and work through carbon offsetting measures.
- The programme management office (PMO) network has grown in strength. It now includes representation from Wales and Northern Ireland. There are now subgroups to share learning in areas such as benefits realisation and decarbonisation. It plans to explore sharing guidance and standardising documents on a shared platform.



# Financial management

## £6.2 billion has been committed to deals

**17.** The Scottish and UK governments have committed £3.1 billion to the 12 Scottish deals. Around £1.6 billion comes from the Scottish Government and £1.5 billion from the UK Government. Partner contributions, which includes councils and other regional partners such as universities and the private sector, is around £3.0 billion. This brings the total funding to £6.2 billion<sup>2</sup> ([Exhibit 4, page 14](#)). Funding contributions by councils and regional partners vary, for example, 18 per cent of funding for the Ayrshire deal comes from the councils and regional partners compared with 73 per cent in the Aberdeen deal. Council and regional partner contributions are not always guaranteed and could be subject to change.

## The Scottish Government is monitoring the risk to deal affordability

**18.** The Finance and Economy portfolio provides the Scottish Government's funding contribution to the deals. This is distinct from local government funding. We highlighted in 2020 that publishing detailed longer-term financial plans, for example as part of the Scottish Government's Medium-Term Financial Strategy, would provide more clarity on where funding for deals comes from and how they will be funded in future years. The Scottish Government continues to publish

an annual budget and Medium-Term Financial Strategy. While the MTFS does not include details on funding for deals, the Scottish Government has a working plan which sets out its anticipated long-term funding commitment to deals. Due to the accumulating pressures created by underspending across the deals programme, the affordability of future year funding requirements within the deal term is high risk on the SCRDDDB's risk register. The Scottish Government has identified several actions to help manage this risk.

## With already stretched finances, some deal projects may not deliver what they had originally planned

**19.** Since publication of our report in early 2020, Scotland's economy has faced significant challenges. The Covid-19 global pandemic, UK's withdrawal from the EU Single Market and Customs Union and the war in Ukraine have significantly impacted trade flows and resulted in increased trade costs as well as problems with labour supply. With no further funding beyond what was originally committed by the UK and Scottish Government, deals are responsible for managing any increased costs. As highlighted in the Accounts Commission's recent financial [bulletin](#), Scotland's councils face mounting financial challenges. Our 2020 recommendation that councils consider the impact of deal funding on longer-term financial plans and the financial implications of other regional partners' funding not materialising, remains as important as ever.

<sup>2</sup> Total does not add up due to rounding of figures.

**20.** We found evidence of councils' capital plans including budget provision for their contributions to the deal. Deals are monitoring the impact of financial pressures. They have indicated these could result in delays, not achieving the original intended deal outcomes, or cancelled projects. From our survey responses, there is evidence deals understand these issues, and are working collaboratively to manage risks, eg value engineering or reducing the scope of projects.

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Value engineering a project means looking at aspects such as materials, equipment and processes to see if there's a more cost effective solution that will achieve the same objective. All changes to deals must be considered as part of deals' change management process.

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**21.** The PMO network has been discussing the impact of inflation and held a workshop with the Scottish Government to consider the impact on deal projects. SCRDDDB is also closely monitoring this risk and engaging regularly with deals. Deals have indicated they have been encouraged by the Scottish Government to find alternative funding streams to help with gaps, eg the Levelling Up Fund. We cover these funds on [page 17](#). While there is evidence of deals finding different sources of funding to address gaps, there are risks if applications are unsuccessful.

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The Scottish National Investment Bank (SNIB) has committed £30 million of funding for the expansion of Aberdeen Harbour – the largest marine infrastructure project in the UK is strongly aligned with the Bank's net zero and place missions.

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**22.** Deals identified the following challenges with managing finances:

- The Scottish Government allocates funding to deals based on a plan of what each deal will require across the ten (or more) years of the deal. If a deal is underspending against this plan, for example due to a project delay, it needs to request to carry money forward. It may be several years before an underspend can be reallocated which creates uncertainty for deals.
- Some deals have projects that now stretch on for longer than the timeframe of the deal due to delays to the start. This results in uncertainty for that project, for example tendering for that work becomes challenging because there isn't guaranteed funding after the term of the deal ends.

## Snapshot of common risks that present challenges to deals



### **Inflation**

Costs have increased sharply recently. If this level of inflation remains, some projects may become unviable or run out of funding.



### **Lack of resource**

This comes in two forms. The first is pressure in partners' staffing to adequately manage deals. The second is a lack of funding for deal functions such as PMO.



### **Delays**

From issues such as Covid-19 and Brexit, business case development taking longer than expected, and individual project challenges pushing project end dates after deal end.



### **Deal targets not met**

Exacerbated by inflationary pressures recently. Deals may not have enough funding to hit agreed targets, value engineering and cost saving efforts may risk targets, and governments may not agree to a level of descoping required to hit targets.



### **Long-term sustainability of projects**













Certain deal projects will continue to require support after deal funding ends. Deals are managing that risk by working towards the project being self-funding or securing alternative funding.

Source: Audit Scotland survey analysis

## Exhibit 4.

### Total funding committed to the 12 deals is £6.2 billion

There is wide variation in council and regional partners' contributions to deals.

	Scottish Government	UK Government	Council and regional partners		Total funding
Glasgow City Region Deal	£520,000,000	£523,670,000	£380,570,000		£1.4 billion
Aberdeen City Region Deal	£125,000,000	£125,000,000	£686,118,000		£936 million
Inverness and Highland City Region Deal	£135,000,000	£53,100,000	£127,000,000		£315 million
Edinburgh and South East Scotland City Region Deal	£300,000,000	£300,000,000	£850,241,000		£1.4 billion
Tay Cities Region Deal	£150,000,000	£150,000,000	£400,000,000		£700 million
Ayrshire Growth Deal	£103,000,000	£103,000,000	£45,500,000		£252 million
Stirling and Clackmannanshire City Region Deal	£45,100,000	£45,100,000	£123,800,000		£214 million
Borderlands Inclusive Growth Deal	£85,000,000	£65,000,000	£41,208,000		£191 million
Moray Growth Deal	£32,500,000	£32,500,000	£35,800,000		£101 million
Islands Growth Deal	£50,000,000	£50,000,000	£293,000,000		£393 million
Argyll and Bute Rural Growth Deal	£25,000,000	£25,000,000	£20,000,000		£70 million
Falkirk Growth Deal	£40,000,000	£40,000,000	£50,800,000		£131 million

Note: The Scottish Government has also committed to provide additional money alongside four of the signed deals, Aberdeen City Region Deal, Tay Cities Region Deal, Stirling and Clackmannanshire City Region Deal and Falkirk Growth Deal. This totals £319 million. This additional funding has been made where the UK Government has not matched the Scottish Government's funding commitment, but the Scottish Government has decided to still provide its full commitment for that region.

Source: Scottish Government and city deals

# Measuring success of deals

## Deals are developing plans for evaluating the impact of projects but recognise there is still more to do

**23.** Deals are longer-term investments aimed at driving local and regional economic growth that should benefit people beyond the term of the deal. It is essential to have metrics in place to measure the various projects, and regularly report performance against relevant deal milestones. We reported in 2020 that plans for measuring the success of deals needed further development. We also highlighted the importance for the Scottish Government to develop arrangements for measuring the impact of the overall deals programme and in particular how it has taken account of outcomes set out in the National Performance Framework.

**24.** Our recent work found there has been some good progress. Partners now establish at the outset how they will measure and report on the progress of their deals as part of governance and accountability arrangements. Deals must also report against inclusive growth and carbon measures. As well as their own regular internal performance reporting on progress, deals must produce an annual report showing progress against deal objectives.

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### Contracts and Community Benefits in Glasgow City Region Deal (GCRD) Annual Performance Report

GCRD reports on community benefit opportunities from awarding of the City Deal contracts, for example by end of March 2022, 272 jobs and apprenticeships and 786 skills and training opportunities had been secured, as well as information on priority groups.

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**25.** Benefits may be seen at different times during the deal delivery but deciding what success will look like and having a plan to capture and report this information is essential.

**26.** Following a successful pilot project with the Edinburgh and South East Scotland City Region Deal in 2020, the Scottish Government issued guidance to deals on developing and implementing a benefits realisation plan. For newer deals, government investment is subject to this plan being in place.

**27.** From our survey, all deals now have a benefits realisation plan (BRP) and there is evidence that they have made progress with collecting and analysing data on different groups in their communities to help evaluate the impact on minority and disadvantaged groups. The BRPs are at different stages of development, for example the Inverness and Highlands City Region Deal which was signed in 2017 is at draft stage.

**28.** As each deal is tailored to its region, the BRPs are not standardised; deal partners decide the indicators by which they will measure successful delivery of their deals. This makes it challenging to see a national picture of deals' contribution to outcomes in the National Performance Framework. The Scottish Government plans to use common metrics, for example jobs created, from individual BRPs when assessing the overall impact of the deals programme.



# Regional landscape and growth funding

## There have been changes to the way the public sector invests in regional economic development

**29.** There has been a great deal of change since we published our report in 2020, including recovery from a global pandemic and significant world issues that has led to challenging economic circumstances. There have also been many changes to Scotland's economic development landscape, for example South of Scotland Enterprise launched in April 2020 and Scottish National Investment Bank in November 2020. In March 2022, the Scottish Government published Scotland's National Strategy for Economic Transformation (NSET). This sets out its vision to deliver a wellbeing economy and its commitment to regional collaboration with a 'step change in Scotland's productivity performance to address deep-seated regional inequalities in economic activity'. The NSET describes the role of REPs in delivering its vision of a wellbeing economy.

**30.** With the UK's withdrawal from the European Union, the UK Government has committed to replacing European Structural Funds (ESF) with the UK Shared Prosperity Funding (UKSPF). The ESF are part of the EU's Cohesion policy to support sustainable economic development and reduce regional inequalities in member states. These funds were administered on a devolved basis – the Scottish Government took the lead in setting the funding priorities for these funds within Scotland, as part of a UK partnership agreement jointly signed by the UK Government and the EU. Arrangements have now changed with UKSPF. Decisions about the UKSPF and broader levelling up funding are made by UK Government.

**31.** The UK Government has also outlined its plans to 'level up' the UK's regional economies, by committing investment through a series of funds, for example through the Levelling Up Fund. While these new funding pots bring opportunities for economic development, the landscape has become more complex. Audit and accountability arrangements for these new funds are evolving.

**32.** This part of our briefing sets out some of these key funds ([Exhibit 5, page 17](#)) and reflects on useful learning from our deal progress work to help public bodies manage this challenging landscape. We do not make any assessment of the UK's process or decision-making for allocating these funds.

## Exhibit 5. UK-wide funding and amount awarded to Scotland to date

Key UK-wide funds connected with levelling up	Funding committed between these years	UK Total commitment £ (million)	Scotland Total award £ (million)
Community Renewal Fund	2021/22	220	18
Levelling Up Fund	2021/22 to 2024/25	4,800	349
UK Shared Prosperity Fund	2022/23 to 2024/25	2,600	212
Community Ownership Fund	2021/22 to 2024/25	150	3

Note: Projects using those funds can of course run for longer than years indicated.

Source: [Levelling Up, Housing and Communities Committee](#), UK Parliament and [UK Government](#)

## Councils bid competitively for the Levelling Up Fund to fund local infrastructure projects

**33.** The aim of the Levelling Up Fund (LUP) is to invest in 'local infrastructure that has a visible impact on people and their communities and will support economic recovery'. The UK Government uses an index ranking to determine the geographical areas that are most in need of levelling up. Councils bid competitively to the UK Government for funding and these bids are then assessed against UK Government criteria. In the first round of funding allocations, 16 Scottish councils bid to fund 25 projects – eight councils were awarded £172 million for eight projects. In the second round, which closed in August 2022, ten Scottish councils were awarded £177 million to fund ten projects. Both rounds have focused on the investment themes of town centre and high street regeneration, transport projects, and cultural investment.

## UK Shared Prosperity Fund

Scotland's allocation of the UK Shared Prosperity Fund, which replaces European structural funds, is £212 million over three years, from 2022/23 to 2024/25. The overall aim of the UKSPF is to build pride in place and increase life chances across the UK.

**34.** The UKSPF takes a different approach to the Levelling Up Fund. It is allocated to councils based on a formula that takes account of factors such as its productivity, skills in the area, and household income. The [prospectus](#) set out the three investment priorities: communities and place, businesses, and people and skills. To access funds, councils were required to engage with a range of local and regional stakeholders to submit plans by August 2022 about how they will invest the money to create jobs, support local businesses, invest in their communities and improve pride in place. The plans were approved in December 2022.

**35.** The UK Government supports delivery of the fund through Regional Economic Partnerships where this is the preference of local areas. While our impact work did not look at the detail of investment plans, we are aware that councils took different approaches to developing these. Most submitted plans on an individual basis. Glasgow City Region Cabinet submitted a regional investment plan.

**36.** As a precursor and to help areas prepare for the UKSPF, the UK Government made £220 million available across the UK, during 2021/22, through a one-year UK Community Renewal Fund. This was also a competitive fund. Councils were invited to submit bids by June 2021 and any funding awarded had to be spent within 2021/22 financial year. There was a delay in announcing successful bids, so the UK Government changed the delivery timeline to the end of June 2022. £18 million was awarded to councils in Scotland to fund projects.

**37.** The Community Ownership Fund of £150 million over four years, aims to ensure that communities across the UK can support and continue benefiting from the local facilities and community assets whose future might be in doubt. This is also a competitive bid process. Councils in Scotland have been awarded £3 million to date.

## Learning for future challenges



We highlighted in 2020 that developing deals can put extra pressure on teams that are already stretched. Often staff managing the deal have wider remits of economic development in the council. While they recognise the benefit of a devolved local and regional approach to economic development, with an increasingly complex landscape, navigating multiple schemes that require different application processes and timescales brings challenges for councils with already stretched resources and uncertainty around longer-term funding for certain projects.



Deals are sharing experiences of resourcing programme management teams. Deals have learned that creating some capacity within the team is important to be able to respond to Scottish Government and UK policy changes.



Deals are working together to share learning about the experience of submitting bids for alternative economic development funding streams.



The process for applying for funding streams should be clear and, where possible, have standardised principles and criteria. As much notice as possible should be given to help councils to manage resources and submit bids for funding more efficiently.



When partners work together on a regional strategy that sets out an agreed and prioritised long list of projects aimed at promoting regional prosperity, it makes it easier to identify where projects fit against future funding criteria.

# Scotland's City Region and Growth Deals

## Progress of the 2020 audit report recommendations

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

[www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility)

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## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <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	Audit Scotland: Scotland's City Region and Growth Deals
Lead Officer (Name/Position/Email)	Louise Reid – <a href="mailto:louise.reid@south-ayrshire.gov.uk">louise.reid@south-ayrshire.gov.uk</a>

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

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

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage 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	No	No
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	No	No
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	No	No
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	No	No
Socio-economic Background – social class i.e. parent’s education, employment and income	No	No

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

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

**5. Summary Assessment**

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<b>NO</b>
<b>Rationale for decision:</b> The proposal does not have significant positive or negative impact with regards to equality therefore an EQI is not required	
<b>Signed :</b> Louise Reid, Assistant Director – Strategic Change	
<b>Date:</b> 5 July 2023	

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 6 September 2023**

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**Subject: Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)**

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**1. Purpose**

- 1.1 The purpose of this report is to provide an annual report for information to the Panel on internal audit work carried out for the Integration Joint Board (IJB) by the South Ayrshire Council and NHS Ayrshire and Arran (NHSAAA) internal auditors.

**2. Recommendation**

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

**3. Background**

- 3.1 Section 5.5 of the [IJB Financial Regulations](#) outlines that the IJB Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the Performance and Audit Committee (PAC) indicating the extent of audit cover achieved and providing a summary of audit activity during the year. As a minimum the annual audit report and Chief Internal Auditor's opinion will also be reported to the audit committee of the NHS Board and the Audit and Governance Panel of the Council.

- 3.2 The IJB annual report and audit opinion for 2022/23 was provided to the PAC on 26 June 2023 and will be shared with the NHSAAA Audit Committee in November 2023.

**4. Proposals**

**4.1 *Internal Audit Outputs for the IJB during 2022/23***

- 4.1.1 During the past year, the following reports have been considered by the Members of the PAC:

- IJB Internal Audit Annual Report including the Internal Audit Annual Opinion 2022/23 (included in [Appendix 1](#) and [Annex A](#)).
- Internal Audit reports on Follow Up - IJB Risk Management arrangements and Performance Monitoring. These reports were provided to South Ayrshire Council Members for information on 28 June 2023 and the 14 July 2023 respectively.

- IJB Internal Audit Plan 2023/24.

4.1.2 The NHSAAA internal audit report on Delayed Discharges Performance Indicators was issued to SAIJB Management on 7 June 2023 and shared with the PAC on 1 August 2023.

#### 4.2 ***Internal Audit Annual Opinions***

4.2.1 When preparing the statement of assurance the Chief Internal Auditor considers the work of the internal auditors of NHSAAA (Grant Thornton LLP) and the statement of assurance provided for South Ayrshire Council.

4.2.2 The Internal Audit Report for NHSAAA, was provided to their Audit Committee on 10 May 2023. Their opinion concludes that; *'partial assurance with some improvement required can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.'*

4.2.3 The Internal Audit opinion for South Ayrshire Council, prepared by the Chief Internal Auditor, was provided to this Panel on 28 June 2023. 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.

#### 4.3 ***IJB External Auditor's Report 2022/23***

4.3.1 The draft IJB External Audit report (prepared by Audit Scotland) is due to be presented to the PAC on 3 October 2023 and will be presented to the IJB for approval on 11 October 2023.

4.3.2 A verbal update on the External Audit report will be provided to the next Audit and Governance Panel on 4 October 2023.

#### 4.4 ***Internal Audit Plan for 2023/24***

4.4.1 The South Ayrshire IJB internal audit plan for 2023/24 was approved by the PAC on 26 June 2023. Two audit assignments are included within the audit plan; (i) Workforce Planning - To review the controls around workforce planning arrangements, and (ii) Performance Monitoring Follow Up Review – To review implementation of audit recommendations arising from the 2022/23 Performance Monitoring audit assignment. Where any changes are proposed to the IJB internal audit plan, these will be presented for approval to the PAC.

4.4.2 Meetings are held periodically throughout the year between the Chief Internal Auditors of the three Ayrshire IJBs, as well as the internal auditors for NHS Ayrshire and Arran to consider Pan Ayrshire issues.

### 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 recommendation could result in failure to comply with IJB Financial Regulations.

## **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. 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**

[IJB Annual Report 2022-2023](#)

[IJB Internal Audit Plan 2023 - 2024](#)

[Public Sector Internal Audit Standards 2017](#)

[IJB Financial Regulations](#)

**Person to Contact**

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**Date: 28 August 2023**

**South Ayrshire Integration Joint Board**  
**Internal Audit Annual Report 2022/23**

## **1. Introduction**

- 1.1. The Integrated Resources Advisory Group (IRAG) 2015 guidance outlines the responsibility of the Integration Joint Board (IJB) to establish proportionate internal audit arrangements for the review of the adequacy of arrangements for governance, risk management and control of resources delegated to the IJB. The IJB appointed South Ayrshire Council's Chief Internal Auditor as the Chief Internal Auditor of the IJB.
- 1.2. 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 the IJB's governance, risk management and internal control systems for the year ended 31 March 2023.

## **2. Internal Control Framework**

- 2.1. In order to ensure the proper conduct of its business, the IJB has a responsibility to develop and implement systems of internal control. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective control. It is the responsibility of management to have adequate controls in place and to ensure these controls are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to policies and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
- 2.2. The operational delivery of services within NHS Ayrshire and Arran Heath Board (NHSAAA) and South Ayrshire Council on behalf of the IJB is covered by their respective internal audit arrangements.

## **3. Compliance with the Public Sector Internal Audit Standards (PSIAS)**

- 3.1. Internal Audit operates in accordance with the PSIAS requirements and is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.2. PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed and maintained 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. Internal Audit operates within the Internal Audit Charter, most recently approved by South Ayrshire Council's Audit and Governance Panel on 22 March 2023.
- 3.4. The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services, including 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 Council's Audit and Governance

Panel. The service was externally assessed as 'generally conforms' with PSIAS in 2018 and an action plan prepared. The actions were fully 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 included in the next IJB annual report together with the results of the most recent self-assessment.

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

- 4.1. The IJB Chief Internal Auditor has a direct responsibility to report to the IJB Chief Officer and the Performance and Audit Committee. Internal Audit activity is planned to provide assurance to the board and to enable an independent annual opinion to be given by the Chief Internal Auditor on the adequacy and effectiveness of internal controls operating within the IJB. South Ayrshire Council's approved audit plan for 2022/23 allowed for 25 audit days to undertake IJB internal audit services. The 2022/23 Internal Audit Plan for the IJB was approved by the Performance and Audit Committee on 30 June 2022.
- 4.2. The Internal Audit service of NHSAAA was provided by Grant Thornton LLP in 2022/23. Grant Thornton's internal audit methodology is aligned to PSIAS. The NHSAAA internal audit plan for 2022/23 was agreed with management and approved by the NHSAAA Audit Committee. The NHSAAA audit plan for 2022/23 included an allocation of 30 days pan Ayrshire for IJB Internal Audit services.
- 4.3. Meetings are held periodically with the Chief Auditors of the other IJBs in Ayrshire (East and North) as well as the NHSAAA internal auditors.

#### **5. Achievement of Annual Internal Audit Plan 2022/23**

- 5.1. Internal audit activity during the year was undertaken in accordance with the approved annual internal audit plan. The plan included a follow up review of the IJBs Risk Management Arrangements and a review of Performance Monitoring Arrangements.
- 5.2. The objective of the follow up review was to obtain assurances that all actions from the 2021/22 IJB Risk Management audit review had been implemented. This review has been completed and concluded that all actions had been sufficiently implemented. A copy of this report has been shared with IJB Members.
- 5.3. The objective of the Performance Monitoring audit review was to obtain assurance that there are strong controls in place around performance monitoring arrangements, with particular focus on measures which assess the improvements from integration and redesign of services. Testing has concluded and the draft report is currently being agreed with management. The internal control assessment can therefore be included in the overall annual audit opinion. Findings conclude that a reasonable assurance opinion can be given on the system of control.
- 5.4. A copy of the full Internal Audit Report will be provided to IJB Members once finalised.

#### **6. Audit Opinion**

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

## **7. Conclusion**

- 7.1. Sufficient internal audit work was completed during the year to form an internal audit opinion for 2022/23. There is no limitation of scope on the 2022/23 internal audit opinion.

## **Opinion on the overall adequacy and effectiveness of South Ayrshire Integration Joint Board's framework of governance, risk management and control**

### **To the Members of South Ayrshire Integration Joint Board**

As Chief Internal Auditor for South Ayrshire Integration Joint Board, 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 IJB 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 IJB to determine, establish and maintain appropriate and sound systems of governance, risk management and control and to monitor the continuing effectiveness of these systems. It is the responsibility of the Chief Internal Auditor to provide an annual internal audit opinion on the overall adequacy and effectiveness of the framework of governance, risk management and control.

### **Sound internal controls**

The IJB uses the systems of the Council and NHSAAA to manage its financial records. The main objectives of the IJB's framework of internal control systems are:

- to ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- to safeguard assets;
- to ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- to 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 partners of the IJB are continually seeking to improve the effectiveness of its governance arrangements and systems of risk management and internal control.

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

Internal audit is an independent, objective assurance and consulting function designed to review the internal control systems, add value and improve an organisation's operations. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of the organisation's resources.

The operational delivery of services within the NHS Ayrshire and Arran Health Board (NHSAAA) and South Ayrshire Council on behalf of the IJB will be covered by their respective internal audit arrangements.

South Ayrshire Council's Internal Audit section operates in accordance with Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013 (updated March 2017). The section undertakes an annual programme of work approved by South Ayrshire Council's Audit and Governance Panel, acting in its role as the Council's audit committee.

The Internal Audit service of NHSAAA was provided by Grant Thornton LLP in the year to 31 March 2023. Grant Thornton's internal audit methodology is aligned to PSIAS.

The Council's internal audit section provides an annual report and assurance statement for 2022/23 to the Audit and Governance Panel. The audit opinion concluded reasonable assurance over the framework of governance, risk management and control and that adequate controls were in place and were operating throughout the Council in 2022/23.

The NHSAAA internal audit plan for 2022/23 was approved by the NHSAAA Audit Committee on 17 March 2022. The most up to date position for the NHSAAA internal audit plan (May 2023) is that the audit plan would be delivered in order to give an annual audit opinion to the NHS Audit Committee by the agreed date.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

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

Two reviews were completed for the IJB in 2022/23 - a review of Performance Monitoring Arrangements and a follow up review of Risk Management Arrangements. The Performance Monitoring review concluded that reasonable assurance can be provided over the system of controls in place. The follow up review confirmed all improvement actions had been sufficiently implemented

### **Basis of Opinion**

My evaluation is informed by a number of sources:

- the audit work undertaken by South Ayrshire Council's Internal Audit and Corporate Fraud team in previous years, during the year to 31 March 2023 and in the period after the year-end to date;
- The NHSAAA Health Board's assurance taken from audit work undertaken to date by the appointed internal auditors, Grant Thornton LLP;
- Work undertaken by the partners' external auditors; and
- Chief Internal Auditor's knowledge of the Board's activities for the year 2022/23.

### **Opinion**

On the above basis it is my opinion, that overall, reasonable assurance can be placed on the adequacy and effectiveness of the IJB's framework of governance, risk management and control arrangements for the year ending 31 March 2023.

**Cecilia McGhee, Chief Internal Auditor**  
**South Ayrshire Integration Joint Board**  
**16 June 2023**

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 6 September 2023**

- 
- Subject: Internal Audit – Progress Report**
- (i) Progress of Annual Internal Audit Plan 2022/23**
  - (ii) Progress of the Annual Internal Audit Plan 2023/24**
  - (iii) Implementation of Internal Audit Action Plans**
  - (iv) Quality Assurance and Improvement Programme Update**
- 

**1. Purpose**

- 1.1 The purpose of this report is to advise Members of progress of the 2022/23 internal audit plan, progress of the 2023/24 internal audit plan, directorates' progress against implementation of internal audit action plans and the status of the current Quality Assurance and Improvement Programme.

**2. Recommendation**

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

**3. Background**

- 3.1 Progress against the Internal Audit annual plan and implementation of actions is reported to the Audit and Governance Panel on a quarterly basis. The last quarterly progress report was reported to Panel on 22 February 2023 and included progress for the third quarter of 2022/23 to 31 December 2022. The 2022/23 annual report was presented to the Panel on 28 June 2023 and detailed the progress of the 2022/23 Internal Audit Plan up to 31 March 2023.
- 3.2 This report provides an update on the progress of the 2022/23 and the 2023/24 Plans for the first quarter to 30 June 2023 and the progress of implementation of Internal Audit actions to 2 August 2023.
- 3.3 The Public Sector Internal Audit Standard (PSIAS) requires the Chief Internal Auditor to maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity including both periodic internal self-assessments and five-yearly External Quality Assessments (EQA) and reports the results of this to the Panel. The status of the latest QAIP is included at section 4.5 of this report.



## 4. Proposals

### 4.1 Progress of Internal Audit Plan 2022/23

4.1.1 A summary of all 2022/23 assignments can be found in [Appendix 1](#). Eleven final reports have been issued since the last quarterly update report in February 2023. A further five draft reports have been issued and are currently being cleared with service management.

Ref	Assignment	Assurance	No of Actions
2023-01	Anti-Fraud Review – Non Domestic Rate Relief	Substantial	2 (1 Low, 1 Medium risk)
2023-02	Conflict of Interest	Reasonable	2 (2 Medium risk)
2023-07	Systems Access Control	Reasonable	13 (10 Medium, 3 low risk)
2023-08	Void Repairs	Reasonable	7 (5 medium, 2 low risk)
2023-10	Education Maintenance Allowance	Substantial	0
2023-12	Climate Change Return	Reasonable	4 (1 Medium, 3 Low)
2023-13	COVID 19 Grants (LACER Fund)	Reasonable	5 (4 Medium, 1 Low)
2023-16	Continuous Auditing	Substantial	0
2023-20	Follow Up – PCI DSS	Actions Sufficiently Implemented	0
2023-22	Follow Up – Controls around Hall Letting Process	Actions Sufficiently Implemented	0
2023-23	Follow Up – Controls around Fuel Systems	Actions Sufficiently Implemented	0

## 4.2 **Internal Audit Annual Audit Plan 2023/24 Progress**

4.2.1 A summary of all 2023/24 assignments can be found in [Appendix 2](#).

## 4.3 **Performance Indicators 2023/24**

4.3.1 Three performance indicators are included in the plan for 2023/24:

- Productivity/utilisation (para 4.3.2);
- Percentage of reviews completed in audit plan (para 4.3.4); and
- Number of ad-hoc requests and investigations (para 4.3.5).

4.3.2 As at 30 June 2023, direct audit time for 2023/24 was as follows:

	<b>Target %</b>	<b>2023/24</b>	<b>2022/23</b>	<b>2021/22</b>
Direct	<b>83%</b>	82%	86%	80%
Indirect	<b>11%</b>	13%	6%	13%
Management	<b>6%</b>	5%	8%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

4.3.3 Indirect audit time is higher at this stage of the year than the target due to the attendance of the team at a biennial training event held by the Scottish Local Authority Internal Auditors Group (SLACIAG).

4.3.4 The internal audit plan for 2023/24, approved by the Panel on 22 March 2023, includes 30 deliverable assignments for South Ayrshire Council. There is also an allocation of time for Internal Audit to deliver audit plans for the IJB and the AVJB (assignments number 31 and 32 in the audit plan). The full plan including the status of each assignment is at [Appendix 2](#). A summary of the 2023/24 plan completion for SAC deliverable assignments as at 30 June 2023 is included in the table below:

<b>Status</b>	<b>No. of Deliverables</b>	<b>Percentage</b>
Complete	0	0
Work in progress	5	17%
Not started	25	83%
<b>Total</b>	<b>30</b>	<b>100%</b>

4.3.5 In addition to planned Internal Audit assignments, allocations of time are included within the plan for contingency, ad-hoc requests for advice and guidance and investigations. There was one request for advice and guidance in relation to safe checks in the period to 30 June 2023. There were no contingency assignments completed in this period.

- 4.3.6 There were two referrals for investigations received in the quarter to 30 June 2023. Both investigations have been taken forward by Internal Audit. One investigation was in relation to cash collection and was not substantiated. The second investigation relates to the award of grants and is currently ongoing.
- 4.3.7 Management information is retained for all assignments which tracks progress of the assignment from the terms of reference at the outset through to the issue of the draft report, and ultimately to the issue of the final report. This management information is used to review progress of the assignment against the budgeted audit days in the plan, assign work within the team and track overall completion of the plan.

#### 4.4 ***Implementation of Internal Audit Action Plans***

- 4.4.1 Nine follow up assignments are included in the 2023/24 internal audit plan. One follow up assignment is currently in progress. The remaining assignments will be programmed into the Internal Audit work plan in line with agreed action implementation dates.
- 4.4.2 The follow up of all other internal audit actions is undertaken through review of Pentana, where all recommendations are uploaded for management action. Quarterly alerts are issued from Pentana to action owners requesting action status to be updated.
- 4.4.3 There are currently five overdue actions and 23 actions due for completion in the next six months. Full details of these action points are included in [Appendix 3](#).
- 4.4.4 Extensions to implementation dates may be requested by Services where progress of implementation has been impacted by factors outwith their control and/or which were not known at the time of agreeing the original due date. Up to two extensions may be agreed between the Service and the Chief Internal Auditor. Second extensions to the due dates have been agreed for three Main Accounting System Review actions (IA2021/40.06, IA2021/40.10 and IA2021/40.11).. This is to allow for time to identify, address and resolve teething issues and give team time to 'bed in' processes following the implementation of Oracle Fusion. A first extension to the Carefirst Date Migration action (IA2022/20.02) was agreed to allow for the completion of a data cleansing exercise prior to the implementation of a new ICT System in Health and Social Care. The data cleansing exercise has taken longer than expected due to the complexities of the Service Users' information held.
- 4.4.5 Where more than two extensions to due dates have been requested, a representative from the Service will be asked to attend the AGP and provide an explanation for the request. There is one such request being made to the Panel during this reporting period. This relates to action IA2021/40.15 (Main Accounting System Review) and as above, this is to allow for time to identify, address and resolve teething issues and give team time to 'bed in' processes following the implementation of Oracle Fusion. The extension is requested to 31 March 2024.

#### 4.5 **Quality Assurance and Improvement Programme (Compliance with PSIAS)**

- 4.5.1 A quality assurance and improvement programme (QAIP) designed to enable an evaluation of the internal audit activity's conformance with PSIAS is in place with Internal Audit. The QAIP also assesses the efficiency and effectiveness of the service and encourages and identifies opportunities for improvement.
- 4.5.2 The QAIP includes both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The previous external assessment was undertaken in 2017/18 by the Chief Internal Auditor of East Renfrewshire Council. The next external review is being undertaken by the Chief Internal Auditor of Inverclyde Council and is currently ongoing.
- 4.5.3 While monitoring of the service is undertaken on an ongoing basis, in line with the performance indicators at 4.3 above and improvements made where required, a formal periodic self-assessment is also required. This is carried out annually by a member of internal audit. The internal assessment for 2023/24 has started and the results of both the internal and external assessments will be included within the quarterly update report to Panel once both have completed.

#### 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 the 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 Rejecting the recommendation could result in failure to perform a scrutiny role in relation to the application of the Public Sector Internal Audit Standards (PSIAS).

## 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. **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 2023-24](#)

[Public Sector Internal Audit Standard](#)

**Person to Contact**      Cecilia McGhee, Chief Internal Auditor County Buildings,  
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**Date:** 28 August 2023

## PROGRESS AGAINST INTERNAL AUDIT PLAN 2022/23

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

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
11	H&SCP	Review of progress against implementation of Care Inspectorate/Scottish Government Improvement Plans	3	5	15	Draft Report Issued
12	Place	Review of Climate Change Public Sector Report (CCPSR) (Sample Check return to confirm supporting documentation available to support the contents)	6.1	1/3	20	Complete
13	Finance, Economic Dev, Regulatory	Review of COVID-19 business grants	4.4	4/9	10	Complete
<b>Regularity</b>						
14	Schools	Internal Control Self-Assessment Toolkit - Initial Rollout and Management of the Annual Process	2	4	6	Draft Report Issued
15	Social Work Locations	Internal Control Self-Assessment Toolkit - Management of the Annual Process	3	4	5	Complete
16	Continuous auditing	Development of Continuous Auditing to other key risk areas including procurement and payroll	1.3	4	20	Complete
<b>Follow Up Reviews</b>						
17	Main accounting	Follow up of 2020/21 Findings	1	9	3	Deferred
18	Benefits	Benefits - Scottish Welfare Fund	1.4	9	2	Complete
19	Following the Public Pound	Ayrshire Growth Deal	4.1	9	4	Complete
20	ICT Auditing	PCI DSS	6.2	11	3	Complete
21	Contract Audit	Capital contract	5.2	9	4	Complete
22	Directorate and other Systems	Controls around Hall letting Procedure	2.4/6.2	4	2	Complete
23	Directorate and other Systems	Controls around fuel systems	6.1	4	4	Complete
24	Directorate and other Systems	Carefirst	3	4	2	Complete
25	Regularity	Museums Stores	5.4	4	2	Deferred

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
<b>Other Entities</b>						
26	AVJB	AVJB - Core System Review (Migration of CT Data) (Estimated days includes Internal Audit support to the AVJB)	-	-	25	Complete
27	IJB	Performance Monitoring Arrangements Follow Up of Risk Management Arrangements (Estimated days includes Internal Audit support to the IJB)	-	-	25	Complete
<b>Other</b>						
28	Investigations	Allowance for investigations of irregularities.	-	4	20	Complete
29	Advice and Guidance	Client requests, advice and consultancy - including participation on working groups	-	-	15	Complete
30	Contingency	Contingency budget for unplanned commitments arising during the year	-	-	30	Complete
31	Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2021/22	-	-	50	Complete
32	Management and Audit development	Internal Audit planning, annual reporting, and quarterly reporting	-	-	35	Complete
33	EQA2	South Ayrshire Council independent review of Renfrewshire Council's compliance with PSIAS	-	-	10	Complete
34	Quality Assurance and Improvement Programme	Annual self-assessment of compliance with PSIAS	-	-	10	Self-Assessment Completed
<b>TOTAL</b>					<b>497</b>	



## PROGRESS AGAINST INTERNAL AUDIT PLAN 2023/24






No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
<b>Key Corporate Systems</b>						
1	Main Accounts	Obtain assurance that there are adequate controls included in updated procedures following implementation of Oracle Fusion and that the controls are operating effectively.	Best Value	11	20	Not Started
2	HR & Payroll	Obtain assurance that there are adequate controls included in updated procedures following implementation of Oracle Fusion and that the controls are operating effectively.	Live, Work Learn/Best Value	11	20	Not Started
3	Organisational Development	Review and Assess progress of implementation of the Corporate Workforce Plan 2022-2025 Action Plan	Live, Work Learn/Best Value	13	20	Not Started
<b>Governance/Best Value</b>						
4	National Fraud Initiative	Co-ordination and Monitoring of Exercise and review of Procurement Matches.	Best Value	4	15	Work In Progress
5	Following the Public Pound	Ayrshire Growth Deal - Follow Up of actions from 2022/23 Assignment. Objective of the assignment to be agreed when the outcome of the 2022/23 assignment is known. Potentially review arrangements with consultants/suppliers/contractors or project management.	Best Value	1	25	Not Started
6	Procurement	Review of "Off Contract Spend" to obtain assurance that spend is properly authorised and that standing orders in relation to contracts and/or procurement legislation is being adhered to.	Best Value	4	20	Not Started
7	Participatory Budgets	Obtain assurance that there are adequate arrangements in place to meet the National target for at least 1% of Local Government Budgets to be subject to participatory budgeting	Civic and Community Pride/ Best Value	1/11	15	Not Started

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
8	Records Management	Obtain assurance that services are complying with SCARRS/the Councils records management procedures, retention schedules are up to date, relevant and adhered to.	Equalities and the Fairer Scotland Duty	4	20	Not Started
<b>ICT Auditing</b>						
9	Social Media Accounts	Obtain assurance that there are adequate controls in place around; access to Social Media Channels; creation and deletion of Social Media pages/ channels and monitoring of content/ followers/ following	Equalities and the Fairer Scotland Duty	14	15	Work in Progress
<b>Directorates</b>						
10	Housing, Operations and Development	Review of Waste Management procedures to obtain assurance that controls are in place and operating effectively	Spaces and Places	15	25	Not Started
11	Housing, Operations and Development	Anti-Fraud Review - Review of Housing Let procedures to ensure they include adequate controls to identify and prevent fraud (testing will be carried out jointly by Internal Audit and the Corporate Fraud Team)	Live, Work, Learn	4	15	Not Started
12	Education	Review the use of funding allocated to South Ayrshire Council from the Attainment Scotland Fund (ASF) to confirm it complies with the condition of the fund/national guidance and ensure there are adequate arrangements in place to monitor and report impacts and outcomes	The Promise,/Live Work Learn	9	20	Not Started
13	HSCP	External Providers - Confirm there are adequate arrangement in place to undertake pro- active due diligence on external provider's financial stability	The Promise, Our Ageing Population	6	10	Not Started
14	HSCP	Premises - Confirm there are adequate arrangement in place to ensure the HSCP have adequate premises to provide services/operate its business	The Promise, Our Ageing Population	6	10	Not Started
15	Change and Communities	Follow up of Actions from 2022/23 Audit Assignment and review of annual Climate Change Duty Compliance return for 2022/23	Sustainability, climate change and biodiversity	8	10	Not Started
16	Change and Communities	Review of Cash Collection Arrangements in Leisure Facilities and sample testing	Spaces and Places	4	10	Not Started







No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
<b>Regularity</b>						
17	Continuous Auditing	Accounts Payable, Payroll and Debtors (including Housing Rent Debtors)	Best Value	4	40	Not Started
18	Grants	Audit of claims and annual review of procedures, Ayrshire Rural and Island Ambition Fund (ARIA)	Live, Work, Learn	4	10	Work In Progress
19	Grants	Review of evidence to support Network Support Grant claim	Spaces and Places/Live, Work Learn	9	5	Work In Progress
20	Schools	Internal Control Self-Assessment Toolkit - Management of the Annual Process	Live Work Learn/The Promise	4	10	Not Started
21	Social Work Locations	Internal Control Self-Assessment Toolkit - Management of the Annual Process	The Promise/Our Ageing Population	4	7	Not Started
<b>Follow Up Reviews</b>						
22	Regularity	Follow Up of actions from 2021/22 Audit Assignment - Museum Stores	-	5	4	Not Started
23	Main accounting	Follow up of Actions from 2020/21 Audit Assignment - Main Accounting Review	-	5/11	3	Not Started
24	ICT Auditing	Follow up of Actions from 2022/23 Audit Assignment - Systems Access Controls	-	5/14	10	Not Started
25	Directorate	Follow up of Actions from 2022/23 Audit Assignment - Void repairs	-	5/15	3	Not Started
26	Directorate	Follow up of Actions from 2022/23 Audit Assignment - Fostering and Adoption	-	5/6	3	Not Started
27	Main Accounting	Follow up of Actions from 2022/23 Audit Assignment - NDR Relief Review	-	5/4	3	Not Started
28	Directorate	Follow up of Actions from 2022/23 Audit Assignment -Implementation of Care Inspectorate/Scottish Government Improvement Plans	-	5/6	3	Not Started
29	Governance and Best Value	Follow up of Actions from 2022/23 Audit Assignment - arrangements in place around the use of SWHub	-	5/11	4	Not Started
30	Contingency	Follow up of Actions from 2022/23 Audit Assignment - Golf Club House Income Controls	-	5/4	5	Work In Progress

No	Audit Area	Objectives	Link to Council Plan	Link To Risk Register	Estimated Days	Progress
<b>Other Entities</b>						
31	AVJB	To be approved by AVJB	-	-	25	Work in Progress
32	IJB	To be approved by IJB	-	-	25	Not Started
<b>Other</b>						
33	Investigations	Allowance for investigations of irregularities.	-	4	20	Ongoing
34	Advice and Guidance (general)	Client requests, advice and consultancy - including participation on working groups	-	-	5	Ongoing
35	Advice and Guidance (Service Reviews/Redesign)	n of time to allow Internal Audit to respond to requests from services to provide advice & guidance or to review updated/changes to procedures following Service redesigns, or implementation of new processes or ICT Systems	-	3	30	Not Started
36	Contingency	Contingency budget for unplanned commitments arising during the year	-	-	15	Ongoing
37	Closure of prior year assignments	Allowance of time for the closure of prior year audit work into 2022/23	-	-	50	Work In Progress
38	Management and Audit development	Internal Audit planning, annual reporting, and quarterly reporting and Chief Internal Auditor Review of assignments	-	-	50	Ongoing
39	QAIP	Annual self-assessment of compliance with PSIAS	-	-	10	Not Started
<b>TOTAL</b>					610	

## Overdue Actions (As At Date of Report 2 August 2023)

IA2021/40 Main Accounting System Review							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2021/40.06 Format of service level budget monitoring reports for all SAC services to be reviewed to include commitments and obligations to present complete spend against budget.	31-Mar-2023	Tim Baulk	Tom Simpson	08-Aug-2023 Following implementation of Fusion, some issues with reports have been identified which are being rectified with the help of implementation partners. These are 'teething' issues and are expected to impact only in the short term. Although the deadline has now passed for completion of this action, there are no significant concerns regarding its achievement in the coming weeks.		90%	1st extension granted to Oracle Fusion Go Live date 31/3/23 2 <sup>nd</sup> extension granted to 31/3/2024
IA2021/40.10 Internal training to be made available to those with budget monitoring responsibilities to enhance their knowledge and skills to effectively manage their budget.	31-Mar-2023	Tim Baulk	Tom Simpson	08-Aug-2023 Significant progress has been made regarding system-based training for both Corporate Accounting officers and budget holders since February 2024. Understanding of and familiarisation with new processes, reports, etc will take time to bed in and will progress will continue against this action during financial year 2023/24.		60%	1st extension granted to Oracle Fusion Go live date 31/3/23 (AGP 9/11/22) 2 <sup>nd</sup> extension granted to 31/3/2024
IA2021/40.11 Format of budget monitoring reports to be reviewed to enable budget holders to drill down on the information presented. Consideration should be given to providing budget holders with real time budget and expenditure information.	31-Mar-2023	Tim Baulk	Tom Simpson	08-Aug-2023 As described in IA2021/40.06, some teething issues have been experienced with system and reporting functionality post go-live. These are currently being addressed but the impact will only be short-term. When these issues are resolved, attention and resources will be directed to developing and rolling out dashboard and infolet functionality across Corporate Accounting officers and then budget holders (as licence restrictions allow).		80%	1st extension granted to Oracle Fusion go live dated 31/3/2023 (AGP 9/11/22) 2 <sup>nd</sup> extension granted to 31/3/2024
IA2021/40.15 Basis of internal recharges to be reviewed where based on historic pre-approved rates	30-Jun-2023	Tim Baulk	Tom Simpson	08-Aug-2023 During the last six months, the service's resources have been directed to achieving key service priorities - 2023/24 budget setting; 2022/23 Annual Accounts; implementation of and training in Oracle Fusion. The first two priorities are now complete but the final one is ongoing; resources will be reallocated to this internal recharge task as and when progress with the 'bedding in' of Fusion permits.		30%	1st extension granted to 31/12/2022. 2nd extension granted to 30/3/2023 3rd extension requested to 31/3/2024
IA2022/18 Fuel Management							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2022/18.07 Review of Procedures	30-Apr-2023	Kenny Dalrymple	Fiona Ross	04-Oct-2022 This action relates to all the outcomes of the recent audit and on each component being completed. There is a risk that the overall review will not be complete by the current due date.		20%	1st extension granted to 31/1/23 to allow other actions to be implemented (AGP 9/11/22) 2nd extension granted to 30/4/23 to allow other actions to be implemented (AGP 22/2/2023)

## Actions Due within next 6 Months (As At Date of Report 2 August 2023)

IA2022/31 Museum Stores Control							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2022/31.01 Reconciliation of Collection	31-Oct-2023	George Hunter	Laura Kerr	10-Jul-2023 We are systematically going through each physical location and ensuring everything is tagged on the database and has a location identifier. All high value assets have been completed, but we still have a significant number to process. This is on track to be completed by October.		70%	
IA2022/31.02 Object Marking and recording items	31-Oct-2023	George Hunter	Laura Kerr	10-Jul-2023 We are working shelf to shelf to ensure all items in all physical locations are recorded. We are still dealing with some inherited backlog but are on track to give every physical object or groups of objects a number, a location and put them on the database by October.		70%	
IA2022/31.03 Update Museum Policies	31-Oct-2023	George Hunter	Laura Kerr	10-Jul-2023 We are updating and reviewing our Museum's Acquisition and Disposal Policy, however as there is no change in circumstances this will only require minor changes. We have a calendar in place to review and possibly update the; Access Policy, Volunteer Policy, Documentation Policy, Conservation policy & environmental policy statement for the 2025 accreditation renewal.		40%	
IA2022/31.05 Recording values in museum database	31-Oct-2023	George Hunter	Laura Kerr	10-Jul-2023 We are working on our policy which is to maintain up-to-date values on the items listed in the asset register. Asset Management have already matched the asset register identifying numbers with our accession numbers so updating the asset register should be as simple as sending the new valuations to Assets. We are meeting with asset management to discuss the best process. We are on track to be completed by October.		40%	
IA2023/01 NDR Reliefs - Anti-Fraud Review							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/01.01 Rolling Programme of Reviews	31-Aug-2023	Tim Baulk	Nicola Gemmell	The NDR rolling review timetable is being updated and will be in place by 31 Aug 2023		75%	
IA2023/07 System Access Controls							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/07.03 Leaver notifications issued	31-Aug-2023	Eileen Howat	Wendy Wesson			0%	







IA2023/07.04 Employee Dismissal/ Suspension	31-Aug-2023	Eileen Howat	Wendy Wesson			70%	
IA2023/07.07 Policy for systems managed out with ICT	31-Dec-2023	Stewart McCall	Anne Yeo	20-Jul-2023 The outline has been added to the document including risk and risk management, passphrases, working in the cloud, digital skills, data retention and protection, emerging technologies and the Acceptable use policy		10%	
IA2023/07.08 Line manager responsibilities	30-Sep-2023	Kevin Mullen	Jennifer Blake			0%	
IA2023/07.12 Compliance with Access Control Standard	31-Dec-2023	Tim Baulk	Stewart McCall	10-Aug-2023 Review of existing standard in progress to identify any gaps or areas for change.		15%	
IA2023/07.13 Shared Password	31-Dec-2023	Tim Baulk	Stewart McCall	10-Aug-2023 Communications have been issued through a number of different channels to specific groups of users. Next steps will be wider all-Council comms on this.		40%	

### IA2023/08 Void Repairs

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/08.02 Improvements in completing SOR documentation	30-Sep-2023	Kenny Dalrymple	William Andrew	27-Jun-2023 At our Operational meeting on 23 June 2023 we discussed changing this document to have 2 different void categories, one for normal voids 15 days and one with works of a capital nature 28 days.		30%	
IA2023/08/03 Reduce the time taken to recharge completed void repair jobs to Housing Services	30-Sep-2023	Kenny Dalrymple	William Andrew	27-Jun-2023 This was discussed at our meeting with both Housing and Finance colleagues on 23 June 2023 and finance want to consider a change to the way jobs are charged.		25%	
IA2023/08/04 Undertake a strategic review of the charging methodologies	30-Sep-2023	Kenny Dalrymple	William Andrew	27-Jun-2023 This action was discussed in light of what we are currently charging Housing for all completed works, finance want to look at our rates in servitor with a view to changing them.		25%	
IA2023/08/05 Update labour rates and costs of materials	30-Sep-2023	Kenny Dalrymple	William Andrew	27-Jun-2023 The rates in our system and what is in servitor is being reviewed by finance colleagues with a view to upgrading to bring up to date.		25%	

### IA2023/12 Climate Change Duty Report

Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/12/01 Evidence of peer review and required fields completed.	30-Nov-2023	Kevin Anderson	Lorna Jarvie	31-Jul-2023 Awaiting this year's annual reporting template to begin process of recording and capturing information.		5%	
IA2023/12/03 Guidance on completion of report for officers	30-Sep-2023	Kevin Anderson	Lorna Jarvie	31-Jul-2023 The schedule of information holders and support has been created and will supplement the latest national guidance for this year's reporting. The finalisation of the SD&CC Strategy update and recruitment of vacant posts within the Sustainability team is now required to complete this action.		35%	

IA2023/05 Transformational Change							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2023/05.01 SCE Term of Reference	31-Dec-2023	Kevin Anderson	Stuart MacMillan	Final report issue and actions agreed 31 July 2023 therefore limited progress possible at date of drafting the report.		0%	
IA2023/05.02 Document Control System	31-Dec-2023	Kevin Anderson	Stuart MacMillan			0%	
IA2023/05.03 Document Control System II	31-Dec-2023	Kevin Anderson	Stuart MacMillan			0%	
IA2023/05.04 Completion of relevant project documents as specified in the Document Control System	31-Dec-2023	Kevin Anderson	Stuart MacMillan			0%	
IA2023/05.05 Risk Management	31-Dec-2023	Kevin Anderson	Stuart MacMillan			0%	
IA2022/20 CareFirst Data Migration							
Action	Due Date	Managed By	Assigned To	Latest Note	Status	Progress	Agreed Revisions
IA2022/20.02 Provide Assurance on the Retention Project	30-Sept-2023	Tim Eltringham	Lisa Duncan	17-Jul-2023 SWIS Lite development is being progressed by ICT with Go Live date of August 23		90%	1st extension granted to 30 September 2023 to allow for data cleansing exercise to be completed and new system to be implemented



**South Ayrshire Council**

**Report by Head of Legal and Regulatory Services  
to Audit and Governance Panel  
of 6 September 2023**

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**Subject: Strategic Risk Management**

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**1. Purpose**

1.1 The purpose of this report is to update Members on the reviewed Strategic Risk Register (Appendix 1) in line with the agreed reporting framework.

**2. Recommendation**

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

**2.1.1 considers the reviewed Strategic Risk Register (Appendix 1) updated by Chief Officers; and**

**2.1.2 notes the 14 key risks and endorses the work currently being undertaken or proposed by risk owners to mitigate these risks.**

**3. Background**

3.1 The Strategic Risk Register is reported in accordance with the framework within the Corporate Risk Management Strategy.

3.2 The Strategic Risk Register was last reported to the Audit and Governance Panel of 22 March 2023 for scrutiny and to Cabinet on 25 April 2023 for endorsement.

3.3 Risk Management is also undertaken at Directorate level and within the Health and Social Care Partnership.

**4. Proposals**

4.1 The Strategic Risk Register has been reviewed by Chief Officers / Risk Owners and updates provided on progress against implementation of proposed risk mitigations. Risks are referenced against the themes of Governance, Protection and Resources. 14 Strategic Risks are managed and these are listed as follows:

	<b><i>Risk</i></b>	<b><i>Theme</i></b>
1.	Decision Making and Governance	Governance
2.	External Factors including Contingency Planning	Governance

	<b><i>Risk</i></b>	<b><i>Theme</i></b>
3.	Strategic Planning	Governance
4.	Integrity	Governance
5.	Internal Audit Actions	Governance
6.	Child and Adult Protection	Protection
7.	Public/ Employee Protection	Protection
8.	Sustainable Development and Climate Change	Protection
9.	Financial Inclusion	Protection
10.	Ash Tree Die Back	Protection
11.	Financial Constraints	Resources
12.	Employee Absence	Resources
13.	ICT – Digital Resilience, Protection and Capability	Resources
14.	Management of Assets	Resources

- 4.2 Full detail of strategic risk management arrangements is provided within the register (Appendix 1). Ownership is assigned to ensure there is clear accountability and responsibility in terms of risk management. The cause, potential effect, risk score and current mitigations are also recorded.
- 4.3 Unless considered ‘ongoing’ throughout the life of the risk register, proposed risk mitigations have a target completion date and their progress is outlined by use of a percentage completion bar in the report. A status icon is also included which indicates whether or not the specific initiative is on target.
- 4.4 Members are requested to note that the Health and Social Care Partnership (HSCP) provide information on the risk management of Child and Adult Protection within the Council’s Strategic Risk Register. HSCP also develop and report on wider Partnership risk issues within their own bespoke Strategic Risk Register which is provided for scrutiny to the HSCP Performance and Audit Panel. A link to the HSCP’s risk register is provided on pages 7 and 8 of Appendix 1.
- 4.5 The removal of the former ‘Workforce Planning ‘ risk was requested following the approval and implementation of the South Ayrshire Council Workforce Plan 2022-2025. The Corporate Leadership Team agreed to ensure a consistent workforce planning approach across all Services and the workforce planning template is also embedded within Service Plans. Any residual workforce planning risks identified within specific Service areas are noted and managed within Directorate Risk Registers.
- 4.6 It has also been considered appropriate by the Head of Finance, ICT and Procurement to increase the risk rating as reflected within the Financial Constraints Risk 11 (page 13) which is acknowledged to be caused by UK and Scottish Government reductions in funding over a number of years and the impact of inflation on the Council cost base.

4.7 Members are requested to note that Chief Officers regularly consider new or emerging risks and there is a process whereby significant operational risks, managed at directorate level, can be elevated to strategic level as required.

4.8 It is proposed that Members consider the strategic risk management arrangements outlined within this report and be assured that there is a robust system in place for identifying and managing those threats which could have a significant impact on the successful delivery of the Council's objectives.

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

5.1 The recommendations in this report are consistent with legal requirements.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 There are no cost implications associated with the recommendations in this report.

## **7. Human Resources Implications**

7.1 There are no human resource implications associated with the recommendations in this report.

## **8. Risk**

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

8.1.1 Risks have been identified and assessed in line with the Council's Risk Management process. This report seeks to confirm that risk mitigation at Strategic level is ongoing and risks are being managed at a tolerable level.

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

8.2.1 Rejecting the recommendations may give rise to external criticism, breach of statute or legal challenge.

## **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/

## **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 delivery of all Council priorities.

## **13. Results of Consultation**

13.1 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**    **None**

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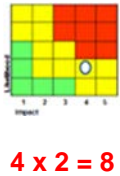



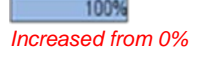
**Date:**    **28 August 2023**

# SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

South Ayrshire Council has identified the following risks of strategic significance in line with the themes of Governance, Protection and Resources.

Risk Themes and Title		
Governance	Protection	Resources
<b>1. Decision Making and Governance</b> 	<b>6. Adult and Child Protection</b> 	<b>11. Financial Constraints</b> 
<b>2. External Factors including Contingency Planning</b> 	<b>7. Public and Employee Protection</b> 	<b>12. Employee Absence</b> 
<b>3. Strategic Planning</b> 	<b>8. Sustainable Development and Climate Change</b> 	<b>13. ICT – Digital Resilience, Protection &amp; Capability</b> 
<b>4. Integrity</b> 	<b>9. Financial Inclusion</b> 	<b>14. Management of Assets</b> 
<b>5. Internal Audit Actions</b> 	<b>10. Grounds Maintenance - Ash Tree Die Back</b> 	
<p><b>Input is provided by Risk Owners identified at Strategic level to ensure clear responsibility in terms of their management. Detail is provided on risk mitigations – both current and proposed. Target dates are recorded in respect of the achievement of the proposed mitigations, unless agreed as ‘ongoing’. The successful mitigation of these risks will support the delivery of the Council Plan.</b></p>		

## SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

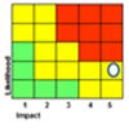


Risk 1	Risk Title – Decision Making and Governance				Risk Theme - Governance	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Head of Legal and Regulatory Services	1. There is a risk that key decisions are taken on behalf of the Council which may contradict agreed Council Plan objectives or increase risk exposure to the organisation.	Updates to Government legislation and advice.  Changes to political structure.  Levels of scrutiny on information made available or provided.	Lack of compliance.  Failure to meet statutory requirements.  Poor best value audit.  Financial Impact  Reputational damage.	 <p style="color: red; font-weight: bold; margin-top: 5px;">4 x 2 = 8</p>	1. Members are supported by a range of training programmes to ensure effective Panel participation and good decision making. 2. Service Leads ensure there is full consultation with PFH's on Panel reports. 3. Webcasting/live broadcasting solution that allows both hybrid meetings and public access live and fully operational. External public website now has an area dedicated to this where meetings can be live streamed, the future meeting schedule is visible and recordings of the meeting archive can be viewed. 4. Reports outline key headings on legal, procurement, financial, HR, risk, equalities and sustainable development implications of decision making. 5. The new Council Plan is complete and approved, as are the associated Service Plans across all Directorates. (Cross reference - Risk 3 - Strategic Planning).	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Members are supported to deliver good decision making through training and briefings. The Service Lead – Democratic Governance – has reviewed arrangements for briefings for Member and Committee Services in discussion with the Leader. Induction training and bespoke Panel training sessions took place in May/June 2022. Specific recommendations were made for one-to-one meetings with Members to assess training needs and produce an individualised plan. These take place by request from Members utilising the Improvement Service's Political Skills Self- Assessment tool and this allows Members to consider particular areas that they would benefit from training on. There are now also 3 clear strands utilised to keep Members informed and engaged. There are two types of briefing – written notes and video updates which can be accessed when convenient. In addition, structured training continues for provision of key skills to meet statutory requirements. This work in mitigation of the risk is classified as ongoing. Separately, ICT are developing an online mechanism to accurately record member participation. (Sept 2023)						
2. The new Council Plan is complete and approved. (Cross reference - Risk 3 - Strategic Planning), as are the individual Service Plans. Governance is included, and the enhanced requirement for performance measures and targets underpins this.						

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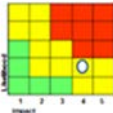



**Risk 2** **Risk Title – External Factors including Contingency Planning** **Risk Theme - Governance**

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Head of Legal and Regulatory Services	There is a risk that a range of external factors out with the Council's control such as pandemic, Brexit, Ukraine, cost of living crisis, inflation, industrial action, disruptive weather or other, may adversely impact on ability to fulfil Council objectives and deliver critical services.	Adverse incidents or Civil Emergencies.  Factors imposed upon the Council such as legislative change, Government policy change, cost-of-living crisis, implications of Brexit, Ukraine, political change nationally or locally.  Unanticipated updates to Government legislation and advice.	Requirement to re-allocate resources, failure to deliver services to an acceptable level or drive desired improvements. Restrictions on budget, reputational damage.	 <b>6 x 2 = 12</b>	1. Continued Horizon scanning to anticipate and respond to risks – four main civil contingencies risks identified for Ayrshire. 2. Watching brief and continual discussion on funding requirements for any unanticipated emergencies. 3. Dissemination of information to Officers and Members around CoSLA and Chartered Institute of Public Finance and Accounting (CIPFA) briefings. 4. The Ayrshire Civil Contingencies Team (ACCT) supports the Ayrshire Local Resilience Partnership (ALRP). The structure of the Practitioner and Strategic ALRP was refined to respond more efficiently to Ayrshire Risks. Chief Executive attends Strategic ALRP. 5. The level of interaction between Health / Councils and partners has increased and allows for more efficient collaboration in emergency planning. The HSCP Risk and Resilience Forum is well established. 6. 24/7 on call service in place via Civil Contingencies to respond to, and assist in coordinating a Council emergency response to major incidents. 7. Staffing and resourcing arrangements are in place to support those individuals and families arriving in South Ayrshire from Ukraine. A more formal team structure, including a manager, in place for 12 months from May 2023. 8. <i>Cross reference to mitigations at Risk 9 – Financial Inclusion.</i>	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Practitioner Ayrshire Local Resilience Partnership (ALRP) and Strategic Ayrshire Local Resilience Partnership meet with required frequency to co-ordinate individual responses from all agencies to major incidents or adverse events. Ayrshire wide Tactical Groups are established where circumstances dictate, recently including a specific focus on contingency arrangements and additional actions deemed necessary to manage increasing numbers of refugees from Ukraine. Additionally, the Ayrshire ALRP identifies and manages 4 concurrent civil contingencies risks to support an Ayrshire response. These are 1. Pandemic or Emerging Infectious Diseases, 2. Marauding Terrorist Attack, 3. Disruptive Weather and 4. National Electricity Transmission System (NETS) Failure (Power Resilience/Black Start) (ongoing)						Ongoing
2. Risk and Safety Team and the Ayrshire Civil Contingencies Team continue to support SAC civil contingency and business continuity arrangements. SAC Civil Contingencies Response Plan is updated for 2023 and Council Incident Officer training has been rolled out to key Chief Officers, operational Service Leads and Coordinators. Council Managers undertake a rolling review of Service Business Continuity Plans on a 6 monthly basis. Civil Contingencies exercises to test plans continue to be developed and rolled out (ongoing).						Ongoing

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Risk 3		Risk Title – Strategic Planning			Risk Theme - Governance	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Service Lead – Policy and Performance	1. There is a risk that the Council fails to fulfil agreed strategic objectives in light of the cost-of-living crisis, staffing, budgetary or external pressures and therefore current service, financial and resource planning is not aligned.  2. There is an associated risk that corporate and service targets and performance measures may be adversely impacted.	Recent pressures may have contributed to delays in Corporate and Directorate Planning processes.	Failure to deliver on Corporate and Directorate Plans or achieve priority outcomes.  Failure to meet expectations of the public, partners, service users, local businesses.  Reputational damage	  <b>4 x 2 = 8</b>	1.Existing Council Plan with clearly defined priorities is in place. 2.Plans have been developed by each Council Service Lead to take account of future operational delivery models. These include workforce planning considerations. 3.Delivering Good Governance framework and reporting in place. 4. Robust financial governance, linked to the Council Plan and priorities, is in place. 5.The Future Operating Model has been implemented and the Council is now operating its new ways of working.	
Proposed Mitigations (with dates)					Status	Progress Bar
1. The new Council Plan is complete and approved, as are the individual Service Plans. Governance is included and underpinned by the enhanced requirement for performance measures and targets. Actions will be reported to the Service and Partnerships Panel over 2023/24 as part of the Council Plan 23-28 Performance Management Framework; and performance against the Council Plan will also be the subject of an annual report to Council. (Dec 2023 and June 2024)						 New
2. Quarterly budget monitoring continues and is reported by Financial Services in order to measure impact. (ongoing)						Ongoing

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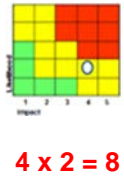


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**Risk 4**

**Risk Title – Integrity**

**Risk Theme - Governance**

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Head of Legal and Regulatory Services	1. There is a risk that the integrity of the Council is breached through a range of failures such as Information / Asset Security, Cyber Crime, non-compliance with the General Data Protection Regulations (GDPR), CCTV Governance, Procurement Fraud, Contractual Failures, Vetting or Financial Irregularities.  2. There is a risk of failure to maintain sources of assurance and levels of scrutiny.	Existing Council Policy or systems may be ineffective or inconsistently implemented.  Lack of ownership, training or communication.  Difficulty to respond timeously to FOI and GDPR requests.  Additional levels of Cybercrime and Fraud because of external global events.	Reputational damage, financial loss, fines, prosecution, civil liability.		1. Current policies / encryption / firewalls, specifically mandatory online Data Protection training, robust processes for reporting and dealing with data breaches. 2. Adherence to the Records Management Plan that has been agreed with the Keeper and is being implemented. 3. Standing Orders relating to Contracts and to Meetings, Scheme of Delegation, Financial Regulations, Council Procurement Policy. 4. SAC Code of Conduct, range of HR, H&S, Fleet policies, employee vetting processes. 5. Fraud Officers, Fidelity Guarantee Insurance Policy and National Fraud Initiative. 6. Internal Audit activity. 7. Establishment of Integrity Group / management of Integrity Group Risks. 8. Additional Communications with Staff and Public with advice re Cyber Crime and Fraud. 9. CCTV governance is set out in established policy. Duty Holders in relevant premises are responsible for compliance with GDPR as it relates to CCTV.	
<b>Proposed Mitigations (with dates)</b>					<b>Status</b>	<b>Progress Bar</b>
1. The actions referred to above are progressed by an Integrity Group, which monitors existing risks and identifies any new and emerging risks for SAC. The Group monitors and develops appropriate mitigations. The Chief Executive chairs the group and officers responsible for each key heading report on the risks. Various Service Leads attend and report on their operational areas as they relate to integrity. (ongoing).						<i>Ongoing</i>
2. The reporting process of the risks from Integrity Group to Members has been reviewed. Reporting mechanisms include regular briefings from relevant Chief Officers or Service Leads on pertinent integrity matters to assist in Member awareness and further support good decision making. This is considered to be an ongoing mitigation through the life of the integrity group. (ongoing)						<i>Ongoing</i>

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Risk 5		Risk Title – Internal Audit Actions			Risk Theme - Governance	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Chief Internal Auditor and Service Leads	There is a risk that actions identified by Internal Audit are not progressed within agreed timeframes and improvements to the control environment not achieved.  The position at 02/08/23 was as follows;  a/ 6 overdue actions.  b/. 23 actions due for completion in next 6 months – (cross ref App 2 Q3 IA Progress Report).  c/. Extension to due date requested for 1 action.	Staffing resources  Delays in implementation of corporate systems eg. oracle fusion	Service Governance arrangements are compromised.  Depending on the significance of the outstanding action the Council may be exposed to risks relating to statutory compliance, public or employee safety, financial loss, reputational damage, legal challenge.	<p style="text-align: center;"><b>3 x 2 = 6</b></p>	1 The Audit Plan is formulated on an annual basis. There is also a mid-year review and approval is sought from Audit and Governance Panel for any changes.  2. Follow up Audits are undertaken for all 'red' reports as well as a sample of 'amber' reports, where resources permit.  3. Internal Audit 'test' 100% completion feedback from Services to ensure it is evidence based.  4. The Chief Internal Auditor is able to grant 2 extensions to due dates for actions.  5. Progress against actions is included in Internal Audit update reports the Audit and Governance Panel.	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Service Leads are required to attend Audit and Governance Panel to explain any 'red' reports, any overdue or outstanding actions from these and further explanation of requests for more than 2 extensions to due dates. They may be required to bring a formal report to Panel if deemed appropriate. (Ongoing)						Ongoing
2. Service Leads are required to record and monitor progress on Internal Audit reports within the relevant risk register. They are requested to ensure that they maintain and are able to retrieve information gathered to provide assurance that actions are fully complete. (Ongoing).						Ongoing

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**Risk 6**

**Risk Title - Adult and Child Protection**

**Risk Theme – Protection**

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
<p>Accountable – ELT</p> <p>Responsible - CLT</p> <p>Risk Owner – Director of Health and Social Care and Chief Social Work Officer (CSWO).</p>	<p>1. There are increased levels of hidden harm in our community as a result of Covid and reduced community presence of services at the time.</p> <p>2. There is a risk of failure to provide adequate protection and the necessary level of support to vulnerable adults and children.</p> <p>3. There are additional risks facing the HSCP and these are being managed, monitored and reviewed via the <a href="#">HSCP Strategic Risk Register</a> which is reported and scrutinised at the HSCP Performance and Audit Panel.</p>	<p>Legacy from COVID-19</p> <p>More complex family and adult needs</p>	<p>Potential harm to clients and vulnerable service users.</p> <p>Potential for litigation, financial loss or reputational damage.</p>	<p><b>5 x 2 = 10</b></p>	<p>1. There are quarterly Chief Officer Group (COG) meetings to monitor the impact of Covid or other external factors on public protection matters.</p> <p>2. There are quarterly Public Protection subgroups (Child Protection; Adult Protection; Violence Against Women/Criminal Justice and Alcohol and Drugs Partnership) reporting into COG that are monitoring the operational context and responding in a coordinated way to issues.</p> <p>3. HSCP Directorate Management Team meets regularly to provide leadership and oversight.</p> <p>4. Established governance in place via Clinical and Care Governance, Social Work Governance and Adult Governance Groups.</p> <p>5. APC and CPC meet regularly and review business plans</p> <p>6. Multi Agency Public Protection Arrangements (MAPPAs) including Management Oversight Group and Strategic Oversight Group) are in place and report quarterly to COG.</p> <p>7. The Community Services Oversight Group supports in house and commissioned services and provides assurance on a range of issues to key local and national stakeholders.</p> <p>8. Initial Referral Data (IRD) activity is now audited to provide scrutiny and assurance in relation to this key activity. There are now annual Child Protection 'Trend Analysis' produced for the CPC and COG to reflect on the changing culture in South Ayrshire towards Child Protection and to invite scrutiny of annual data.</p> <p>9. Adult Support Protection Lead Officer engages first line managers in developing our response to vulnerable adults</p> <p>10. CSWO engages with operational staff in relation to complex cases in both adult and children's services where there are complex risk factors</p> <p>11. Care First implemented across all children and adult social work teams.</p> <p>12. CPC/APC subgroup structure now established and the Policy and Performance Subgroup is leading this review work and reports progress at each meeting</p> <p>13. Governance on new policy and procedure is via CPC/APC through to COG.</p> <p>14. Development of Practice Standards in Social Work is in progress to support the policy framework.</p> <p>15. The quality assurance framework is operational providing triangulated information to the Community Services Oversight Group from a range of sources in order to ensure minimum standards are met across all commissioned services.</p> <p>16. HSCP strategic and operational risk registers are complete and approved by HSCP Performance and Audit Committee.</p>

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Risk 6	Risk Title - Adult and Child Protection (Continued)	Risk Theme – Protection	
Proposed Mitigations (with dates)		Status	Progress Bar
1.Learning reviews have been completed in relation to the ADP, Public Protection and Adult Social Work services. A thematic summary has been developed as part of the improvement plan which has identified new mitigations. These will be presented to COG in September. Progress will be updated to 100% at that point. (September 2023)			<div style="display: flex; align-items: center;"> <div style="width: 90%; height: 10px; background-color: #4a86e8; margin-right: 5px;"></div> <span style="margin-left: 5px;">90%</span> </div> <p style="color: red; font-size: small; margin-top: 2px;">Increased from 80%</p>
2. The ADP Is developing a framework in relation to risk around drug related deaths. A thematic summary has been developed as part of the improvement plan which has identified new mitigations. These will be presented to COG in September. Progress will be updated to 100% at that point. (September 2023)			<div style="display: flex; align-items: center;"> <div style="width: 90%; height: 10px; background-color: #4a86e8; margin-right: 5px;"></div> <span style="margin-left: 5px;">90%</span> </div> <p style="color: red; font-size: small; margin-top: 2px;">No change</p>
3.This relates to the implementation of the transformational work within Children and Families which has been supported by the Council. The Belmont Family First model is embedded and further support to cluster secondaries is available through the Small Steps to Wellbeing Initiative. Signs of safety is embedded into Children and Families practice.			<div style="display: flex; align-items: center;"> <div style="width: 100%; height: 10px; background-color: #4a86e8; margin-right: 5px;"></div> <span style="margin-left: 5px;">100%</span> </div> <p style="color: red; font-size: small; margin-top: 2px;">Increased from 85%</p>
4.The Adult Protection Self Evaluation Improvement Plan has been reviewed regularly along with the impact of actions implemented in response to the Adult Support and Protection Inspection (Oct-Dec 2021). The implementation of the new structure in relation to the sub committees of our Adult Protection Committee sees the regular review of the improvement plan arising for the ASP, Evaluation and Improvement Group.			<div style="display: flex; align-items: center;"> <div style="width: 100%; height: 10px; background-color: #4a86e8; margin-right: 5px;"></div> <span style="margin-left: 5px;">100%</span> </div> <p style="color: red; font-size: small; margin-top: 2px;">Increased from 50%</p>
5.A new structure within Adult Services aims to improve professional leadership and oversight, including for ASP. Team Around the Locality Model has been established and majority of posts to support the new structure have been recruited. Pilot work is taken place within the Troon Locality to establish front doors that will promote preventative and early intervention work building on the strength of our community resources and partnership and ensure that robust systems are in place in cases that require intensive / statutory involvement. The model has been aligned with the locality planning model being progressed by SAC and Community Planning Partners New staffing structure will be fully in place by September. (September 2023)			<div style="display: flex; align-items: center;"> <div style="width: 75%; height: 10px; background-color: #4a86e8; margin-right: 5px;"></div> <span style="margin-left: 5px;">75%</span> </div> <p style="color: red; font-size: small; margin-top: 2px;">Increased for 30%</p>
<p>Further explanation on progress to date in terms of implementation of the above mitigations can be found by cross-referencing to the <a href="#">HSCP Strategic Risk Register</a> .</p> <p>Additional information is also provided within this document on a range of other risks being managed by the Partnership including; Climate Change &amp; Sustainability, Communication and Reputation, External Factors including Contingency Planning, Financial Position, Good Governance, Strategic Planning and Business Resilience, ICT, Population, Premises, Provider Organisations,Service Quality, Workforce Protection and Workforce Capacity and Capability</p>			

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**Risk 7**

**Risk Title - Public and Employee Protection**

**Risk Theme – Protection**

Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations		
Accountable – ELT  Responsible - CLT  Risk Owners –  Service Lead – Risk and Safety and Service Lead – Asset Management	1. There is a risk of failure to provide the agreed standards of protection to the Public and Council Employees in line Health and Safety Executive and Scottish Fire and Rescue Service legislation and guidance. 2. There is a risk that health & safety risk assessments in some areas may not currently identify adequate mitigations to safeguard employees / service users from hazards such as Violence and Aggression. 3. There is a risk that proposals by Scottish Fire and Rescue Service to reduce response to fire alarms will impact people safety and property protection.	Staffing resourcing pressures.  Budget constraints across Services.  Ambiguity around responsibilities or inconsistent application of policy	Accident, incident, injury or ill health to employees /service users.  Prosecution and Civil litigation. Damage to Council's reputation.  Financial impact of claims, increased premiums or fines.		1. Existing H&S Policies and procedures. Sample H&S Risk Assessments developed for Service use. H&S Guidance prepared and issued. Range of resources, information, links and training on H&S CORE page and Learn Pro platform. 2. Central H&S team undertake H&S Audits and Fire Risk Assessments (FRA) over a 1,2 and 3-year rolling programme. Risk Assessment self-evaluation process rolled out. 3. The PDR process allows for identification of key H&S training requirements for all Council employees. 4. Risk Assessment Training & Support, plus Council Standard and a range of courses on Management of Actual or Potential Aggression, Dealing with Difficult Behaviour, De-escalation etc. 5. V&A measures across services including a range of security systems, Campus Police Officers, '2 to attend' protocols, panic buttons in offices, modifications to office design. 6. Review of causes of 'Unwanted Fire Alarm Signals' (UFAS) complete – processes in place to tackle via FRA programme. 7. Revised guidance has been issued along with new online training modules to reflect the changes implemented by SFRS on 1 July 2023.		
Proposed Mitigations (with dates)						Status	Progress Bar
1. Review and refresh a range of health and safety policies, guidance, sample risk assessments and work procedures. Development of new online health and safety training modules for managers / employees. (December 2023)							
2. Asset Management team continue to review and action, based on risk priority, compliance and/or property related issues raised through Fire Risk Assessments, Health and Safety Audits and Vacant Property Inspections. (ongoing).							<i>Ongoing</i>
3. All duty holders / building managers monitoring and updating outstanding H&S actions via Pentana (ongoing)							<i>Ongoing</i>
4. Utilise self-evaluation method to ensure all Services have identified significant hazards and fully developed their H&S risk assessments – (Internal Audit Action). (ongoing)							<i>Ongoing</i>
5. In light of revised SFRS protocols Asset Management team are rolling out bespoke fire panel training to all Council Duty Holders. (Sept 2023)							


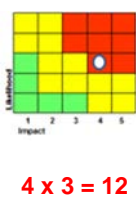

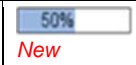
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Risk 8		Risk Title - Sustainable Development and Climate Change			Risk Theme - Protection	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT Responsible - CLT Risk Owner/s; Service Leads – Policy and Performance, Asset Management (buildings) and Neighbourhood Services (for Fleet)	There is a risk of failure to meet climate change duties, reduce emissions and support the community to adapt and mitigate risks in relation to climate change. Risk of failure to ensure a just transition and a green recovery.	Services do not necessarily recognise the role they need to play, lack of input and accountability by services leaving key areas inadequately addressed. Decisions and infrastructure while meeting short term goals are currently not fit for the future. Actions in place are currently not fully coordinated across services.	Reduction in emissions not achieved to 1.5 degrees scenario therefore accelerating the pace of climate change. United Nations Sustainable Development Goals not adequately addressed. South Ayrshire may not be resilient. Effect may be further detriment to those already disadvantaged, increasing inequalities and exacerbating deprivation. Communities may be unprepared for a low carbon future.	 <b>4 x 2 = 8</b>	1. Council approved Sustainable Development and Climate Change Strategy 2. Baseline data on Sustainable Development and Climate Change now assembled to allow future progress to be measured. 3. Proposals endorsed by the MOWG agreed at Cabinet and assigned for implementation. 4. Carbon budgeting in place.	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Fully implement Climate Change Strategy (target date 2024, at which point strategy will be reviewed). Mid-term review to be adopted to ensure delivery of strategy outcomes in a changed landscape with increased national targets and new duties. (revised to Dec 2023).						 No change
2. Review the means of ‘cross cutting’ the Strategy by embedding within Council policy making, as well as service planning. This is now going forward as part of the integrated impact assessment led by Performance, Policy and Community Planning. (revised to Sept 2023).						 No change
3. Investigation of scope 3 accounting methodologies for Council procurement emissions to develop existing carbon budgeting process. A final decision on this has been deferred pending the outcome of national research which may influence the course of action. (December 2023)						 No change
4. A Net Zero Estate Strategy review was completed in November 2021. Following this a Net Zero Board group was established in 2022 to drive forward this agenda. The Board has 6 workstreams and progress is being made in all areas. (March 2024)						 Increased from 40%
5. Adopt fleet decarbonisation strategy in line with targets and duties alongside ULEV (Ultra Low Emission Vehicles) infrastructure for both fleet and public charging. A progress report on the South Ayrshire Council Fleet Strategy 2021-26 was submitted to the Service and Partnerships Performance Panel (SPPP) on 18 April 2023 outlining some of the challenges and proposing that officers review the transition for small vehicles to an electric fleet and submit a future paper to Cabinet as well as providing annual updates on progress to the SPPP. (date TBC)						 No change
6. Assess the Council against Scotland’s Adaptation Capability Framework and set out priority actions. Action complete and assessment included in refreshed Strategy. (May 2023)						 Increased from 30%
7. Adopt a green recovery communications plan and climate literacy training plan. Action complete and assessment included in refreshed Strategy. (May 2023)						 Increased from 50%

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 <b>Risk 9</b>							Risk Title – Financial Inclusion	Risk Theme – Protection
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations			
Accountable – ELT  Responsible - CLT  Risk Owner -  Assistant Director of Strategic Change and Communities	There is a significant risk that the cost-of-living crisis, rising inflation and the current economic climate is having a detrimental impact on the local community, both public and employees.	Rising energy and food costs. Economic uncertainty. War in Ukraine.	Specific low-income groups are hardest hit.  Current crisis is bringing unaccustomed hardships to groups who have previously managed financially.  Impact on lowest paid Council staff.		<p><b>Measures in place at National level;</b>                      Withdrawal of the National Insurance increase.</p> <p><b>Measures in place at Scottish Government level;</b>                      Increasing the Scottish Child Payment to £25 per week from 14 November 2022                      Winter Heating Payments. Rent Freeze                      Bill - 'Protecting Tenants during Cost-of-Living Crisis Bill' temporary powers to protect tenants and landlords. Bridging Payments. Best Start Grants.                      'One stop shop' website to help those struggling financially. National media campaign.                      Funding for Scottish Welfare Fund (Crisis Grants &amp; Community Care Grants) and Discretionary Housing Payments</p> <p><b>Measures in place at local level;</b>                      The Community Planning Partnership has a Financial Inclusion Strategic Delivery Group (SDP) who provide direction, identify any gaps in support and direct resources to areas of most need and demand. They consider themes linked to food, energy, money and community wellbeing.</p> <p>A range of Council services provide support to people most affected by the cost of living crisis. These include Thriving Communities, Housing Services, the Information and Advice Hub and Revenues and Benefits.                      Cabinet approved a report on 23 May 2023 <a href="#">Financial Inclusion</a> - Cost of Living Crisis which outlined trends identified and the provision of current help available across all Council Services to support residents.                      There was also a Cabinet paper in January <a href="#">Food Pantries</a> and then again in May <a href="#">Food Pantries</a> that provided information on the food pantries and projects that SAC has funded.</p> <p>A Member Officer Working Group for the Cost-of-Living Crisis has been established to consider the activities being undertaken by the Council to mitigate the impact of the cost-of-living crisis</p>			
Proposed Mitigations (with dates)							Status	Progress Bar
On 23 May 2023, Cabinet approved the development of a Strategy and Action Plan to address the agenda on <a href="#">Financial Inclusion</a> - Cost of Living Crisis. This work is aligned to the Member / Officer Working Group and will report back to Cabinet following recess. (September 2023)								

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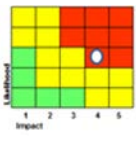


Risk 10		Risk Title - Ash Tree Dieback		Risk Theme - Protection		
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
<p>Accountable – ELT</p> <p>Responsible- CLT</p> <p>Risk Owner – Assistant Director - Housing and Operations</p>	<p>There is a risk of injury / damage to SAC residents and infrastructure as a result of Ash Dieback – a disease proliferating through SAC woodland. Disease has been identified and is spreading.</p>	<p>Principle cause is the spread of Ash Dieback throughout South Ayrshire /Scotland.</p> <p>Neighbourhood Services is currently not resourced to manage the extent of Ash Die Back.</p>	<p>Potential for fatality / injury to residents / employees.</p> <p>Potential for damage to property, listed structures, headstones, power / phone lines.</p> <p>Potential of falling Ash trees/limbs on roads/pavements/ footpaths within public open space and schools and associated obstruction to roads.</p> <p>Increased liability to Council in respect of above potential incidents.</p> <p>Financial pressure in terms of significant increased expenditure to mitigate risk including costs for replanting, cost of recruiting skilled operatives. Availability of skilled operatives likely to be restricted by market demand - this is a national problem.</p> <p>Potential for increased flooding risks for changes in waterways eg. banking failures due to tree failure.</p> <p>Loss of Ecosystems- air quality, biodiversity loss, increases in noise levels adjacent to roads, loss of visual screens.</p> <p>Increased liability and insurance premiums for residents due to property risks.</p> <p>Risk to European protected species (roosts/ food source). Loss of biodiversity of species dependant on Ash.</p>	<p><b>5 x 2 = 10</b></p>	<p>1.Survey of trees within lands managed by Neighbourhood Services has commenced.</p> <p>2.Communication with ARA has taken place and regular meetings have been set up.</p> <p>3.An Ash Dieback Plan has been developed and approved by Cabinet.</p>	
Proposed Mitigations (with dates)					Status	Progress Bar
<p>1.Ash Dieback plan is currently being developed which includes an inspection programme which will roll forward to highlight any ongoing deterioration. It will also contain proposed cost information for full implementation. Plan is complete and approved.</p>						<p>100%</p> <p><i>Increased from 90%</i></p>
<p>2. SAC is collaborating with recognised arboricultural bodies on managing this disease. A communication plan is being developed to reflect the SAC Ash Dieback plan. Proposed text is with the Tree Council and the Forestry Commission for review and will form the basis of standard text to be used by a number of authorities. (December 2023).</p>						<p>60%</p> <p><i>Increased from 50%</i></p>

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## SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

Risk 11		Risk Title – Financial Constraints			Risk Theme – Resources	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Head of Finance, ICT and Procurement	1. There is a risk that current, planned or expected levels of service cannot be delivered.	UK and Scottish Government reductions in funding over a number of years.  Impact of inflation on Council cost base.	Failure to deliver key services or meet change in service demands.	 <b>4 x 3 = 12</b>	1. Annual 2023/24 budget prepared and approved in March 2023. 2. Maintain pressure on Scottish Government to agree settlements which reflect Local Authority needs through participation in CoSLA groups. 3. A ten year Long Term Financial Outlook and three-year Medium Term Financial Plan approved by Leadership Panel in October 2021. 4. Updated Medium Term Financial Plan approved by Cabinet in November 2022 5. Annual Treasury Management Strategy prepared and approved by Council March 2023. Details credit and counterparty risk. 6. Treasury Management Practices (TMP's) updated annually to reflect Treasury risk such as credit and counterparty risk management, liquidity risk management, interest rate risk management and exchange rate risk management. 7. £2.5m Inflation reserve established in February 2023 to mitigate inflationary impact during 2023-24	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Lobby Scottish Government through discussions via CoSLA, Directors of Finance and Solace to ensure required funding continues to be made available to Local Government (ongoing).						 Increased from 75%
2. Rolling annual update of three-year Medium Term Financial Plan to be implemented (next update due October 2023)						 Increased from 50%
3. Bi-annual update of ten-year Long Term Financial Outlook to be implemented (next update due October 2023)						 Increased from 0%
4. Assess the impact/outcomes from the new deal between Local Government and the Scottish Government signed in June 2023 (Verity House Agreement) and the associated new Fiscal Framework is being developed. (March 2024).						 New

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## SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1



Risk 12		Risk Title – Employee Absence			Risk Theme - Resources	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Chief HR Adviser	1. There is a risk that employee absence levels fall below the standards which can be sustained by the organisation.  2. There is a risk that the cost of staff absence significantly increases the financial risk and budgetary constraints already impacting on the achievement of Council objectives. In 2020/21 – for LGE - the direct 'cost of absence' was £3,851,547 (50% more than 2019/20 when the cost of absence was £2,550,800. In 2021/22 – for Teachers - the direct 'cost of absence' was £1,224.774 (71% more than 2020/21 when absence cost was £714,310)  3. There is a risk that the impact of employee absence creates an unsustainable burden and significant extra pressure on colleagues at all levels who are required to assume additional workloads as a result.  4. There is a risk that employee absence has an adverse effect on workforce planning arrangements.	Key reasons reported for employee absence;  Psychological Musculoskeletal Cardiovascular Respiratory Gastrointestinal  Impact of employee 'culture'  Further statistical information via report to S&P <a href="#">Employee Absence 2021/2022</a>	Additional risk to Service Users, gaps in Service delivery, slippage on achievement of targets.  Additional cost of temporary, agency, supply staff or other additional unbudgeted spend.  Adverse impact on health of 'attending' employees.	 <b>3 x 3 = 9</b>	1. Maximising Attendance Framework  2. Occupational Health Support  3. Counselling Services including Cognitive Behavioural Therapies  4. Physiotherapy Services  5. Employee Self-Referral Options to 'Access to Work' – fully funded initiative for non-medical intervention, support & sign posting.  6. Range of flexible working and family friendly HR policies.  7. Access for managers and employees to Mentally Healthy Workplace training online.	
Proposed Mitigations (with dates)					Status	Progress Bar
1. Review of maximising attendance framework and related policies in conjunction with Service leads and TU colleagues. Roll out mandatory training for managers in managing absence. (March 2024).					▶	 No change
2. Cross reference to work activity progressing via other services; Trauma Informed Officer rolling out Mental Health First Aid training and linked initiatives, re-introduction of Employee Lifestyle Screening via Risk and Safety, Workforce Planning Strategy with managers' toolkit should support employee experience. (March 2024).					▶	 Increased from 20%
3. HR, in conjunction with Trauma Informed Officer, developing a Staff Wellbeing Strategy. (March 2024)					▶	 No change

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## SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

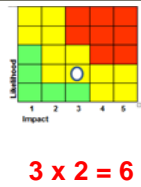





Risk 13					Risk Title – ICT Digital Resilience, Protection and Capability	Risk Theme - Resources	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations		
Accountable – ELT Responsible - CLT Risk Owner/s – Service Leads - ICT	There is a risk that major or widespread ICT failure will adversely affect delivery of Council services. ICT failure risks include non-compliance, failure of business systems, cyber-attack, and failure of ICT equipment.	Lack of corporate ICT planning in a robust and consistent manner. Cyber intrusion. Outdated / obsolete equipment and systems. The Business Continuity Plans of some Services may lack effective arrangements for ICT loss.	Inability to provide key services and recover quickly.  Reputational damage, financial loss, litigation.	<p style="color: red; font-weight: bold;">4 x 2 = 8</p>	1. Resilient infrastructure in place with dual data centres, duplicated network communication paths, internet links, and server hardware. 2. External contracts established with service providers for technical support and expertise across critical technologies. 3. Existing Disaster Recovery Plan (DRP) in place for critical systems. SAC Data Centre’s services will be migrated to cloud data centres, with the first phase completed in April 2023. 4. A bespoke ICT Risk Register in place, which is subject to review as part of standard operating practice. 5. The Integrity Group meets regularly to consider cyber security issues and develop further mitigations as required. 6. Compliance standards established as part of technology and process governance framework. 7. Service BC plans include some level of ‘manual work around’ for resilience in respect of ICT failure. Updates to all BC plans are requested on a 6 monthly basis.		
Proposed Mitigations (with dates)						Status	Progress Bar
1. Live services being moved to McCall’s Avenue Data Centre, which has enterprise facilities management services, with County Buildings being used for resilience purposes. Work is 98% in terms of live services being moved from County Buildings to McCall’s Avenue, with low volume items remaining which have longer term timelines. (timescale December 23)							<p style="color: red; font-weight: bold;">Increased from 95% to 97%</p>
2. Works are underway to migrate services to a Cloud Data Centre with phase 1 completed in April 2023. Planning works for phase 2 have commenced and migration is scheduled to be completed by December 2023.							<p style="color: red; font-weight: bold;">Increased from 70%</p>
3. PSN accreditation now achieved for entire Council network. Egress Defend and Protect now fully operational. ICT will now continue to work with a Cyber Security partner to assess and improve the overall security of the Council’s ICT infrastructure as new threats and technologies emerge. (ongoing)							<i>Ongoing</i>
4. In light of services migrating to a cloud data centre, work is required with all services to redefine the ICT element of their Business Continuity Plans. Engagement from ICT will take place to define priority applications which align to future plans for application rationalisation/replacement based on off-premises data centre provision. (timescale TBC).							<p style="color: red; font-weight: bold;">New</p>
5. ICT Asset Management function established to ensure currency of technology assets is maintained. Additional capacity created. Rolling replacement plans are now in place for technology towers.							<p style="color: red; font-weight: bold;">Increased from 95%</p>

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## SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

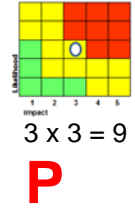



Risk 14		Risk Title – Management of Assets			Risk Theme – Resources	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations	
Accountable – ELT  Responsible - CLT  Risk Owner – Service Leads – Asset Management and Professional Design Services	1. Delivery of the agenda linked to Transforming the Estate may be impacted by a range of factors which could delay any resulting financial gains.  2. There is a risk of delay to projects within the General Services capital programme due to inflation of construction costs which could impact on deliverability of the programme.	Decisions re asset rationalisation, delays on asset disposal, staff placing logistics.  Inflation  Cost of Living Crisis	Impact on efficient recovery of Council services. Failure to deliver Asset Management Plan. Project delay or additional costs. Adverse incidents and compliance failure. Damage to Council's reputation.		1. The Transforming the Estate project is underway and has superseded the former Asset Management Plan.  2. Professional Design Services continue to monitor construction costs and contractor's ability to progress and deliver works.	
Proposed Mitigations (with dates)					Status	Progress Bar
1. The Asset Management Plan (AMP) has now been superseded by the 'Transforming Our Estate' Project. The proposed approach to the rationalisation of Council assets was approved by Cabinet on 23 May 2023. It has been agreed to note the strategic recommendations following conclusion of an external consultant's review and undertake further work to review the proposals for each asset type and validate cashable benefits and costs for the Council. Progress is being made on the delivery of an outline work plan and a report outlining the achievements will be taken to Cabinet in June 2024.						
2. There was a new Capital Plan approved by Council on the 1 <sup>st</sup> March, 2023, covering the twelve financial years 2023/24 through to 2034/35. Quarterly Capital Monitoring Reports will be presented to Cabinet (August & October 2023, February & June 2024), and will include any issues required to be highlighted and any adjustments to be requested.						<i>Ongoing</i>

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# SOUTH AYRSHIRE COUNCIL - STRATEGIC RISK REGISTER (draft 1st August 2023) Appendix 1

## Guidance - Recording Risks

Risk No. x		Risk Title - xxxxx		Risk Theme – Resources / Protection / Governance	
Ownership	Potential Risk	Cause	Potential Effect	Risk Score	Current Mitigations
Who is accountable and responsible for managing the risk?	What could go wrong?	What may have caused this risk?	Possible outcomes or adverse effects?		What is already in place to manage the risk?
				<b>S</b>	<b>A</b>
				<b>M</b>	<b>P</b>
				<b>L</b>	<b>E</b>
Proposed Mitigations (with dates)				Status	Progress Bar
1. What is planned to mitigate the risk further? (and when it is due to be completed) <enter date>					<input type="text" value="33%"/> Increased from...?

A status icon (Figure 3) is displayed along with a calculation from Risk Owners on percentage completion of the mitigating actions. This information is closely scrutinised by Chief Officers via CLT and Elected Members through the Audit and Governance Panel and Cabinet and this assists in determining decisions on reducing or increasing risk ratings utilising the matrix at Figure 1.

New risk identification is considered against a broad range of risk types and these are represented at Figure 2.

Risk types are cross-cutting and not considered in isolation.






Further explanation of SAC Council Risk Management Methodology is available within the Corporate Risk Management Strategy [RM Strategy](#)

Fig 1

Risk Themes			
Governance	Protection	Resources	
Risk Rating			
Impact	x	Likelihood	
1 Minor		1 Unlikely	
2 Moderate		2 Possible	
3 Major		3 Likely	
4 Critical		4 Very Likely	
5 Catastrophic		5 Almost Certain	

Fig 2



Fig 3 Status	
	Completed
	On Target
	Not on target – some concerns
	Not on target – major concerns
	Not yet started

**South Ayrshire Council**

**Report by Head of Finance, ICT and Procurement  
to Audit and Governance Panel  
of 6 September 2023**

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**Subject: Treasury Management and Investment Strategy Quarter  
1 Update Report 2023/24**

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**1. Purpose**

1.1 The purpose of this report is to provide Members with an update on the 2023/24 treasury prudential indicators for the period April-June 2023 (Quarter 1) and provide an update on the latest wider economic position.

**2. Recommendation**

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

**2.1.1 scrutinises the contents of this report; and**

**2.1.2 remits the Quarter 1 Update Report to the next Cabinet meeting on 26 September for approval.**

**3. Background**

3.1 CIPFA published revised Treasury Management and Prudential Codes in December 2021 which stated that revisions contained in the Codes needed to be included in the reporting framework from the 2023/24 financial year.

3.2 The Council's Treasury Management and Investment Strategy for 2023/24, approved by Council in March 2023, contained the requirements of the updated codes. For reporting purposes, the Strategy incorporated the intention to introduce two further quarterly update Treasury Management and Investment Strategy reports in addition to the current mid-year and out-turn reports.

3.3 Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. Per the Prudential code 2021:

*'monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the authority's integrated, capital and Balance Sheet monitoring'*

3.4 The Council will report these two additional quarterly update reports to the Audit and Governance Panel and thereafter to Cabinet. This report fulfils the additional reporting requirements of the 2021 Treasury Management and Prudential codes.

- 3.5 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned to meet expenditure commitments but also to invest surplus monies in low-risk counterparties (organisations with which the Council has a financial relationship in terms of borrowings or investments), providing adequate liquidity initially before considering optimising investment return.
- 3.6 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash will involve arranging long or short-term loans or using longer term cash flow surpluses. In addition, in certain interest rate environments debt previously drawn may be restructured to meet Council risk or cost objectives.

#### **4. Proposals**

- 4.1 This Quarter 1 report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and provides an update on Economic activity and Interest rates in [Appendix 1](#) and Prudential and Treasury Indicators in [Appendix 2](#).
- 4.2 The Panel is requested to scrutinise the contents of this report and thereafter remit to the Cabinet meeting on 26 September 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 General Services**

- 6.1.1 **Interest on Revenue Balances** - the Council budgeted for investment income of £0.965m in 2023/24, based on an estimate of the average revenue balances held during the year. Budgeted at achieving an assumed interest rate return of 2.50% on these balances.

At June 2023 (Qtr1) the full year budgeted income is projected at £1.544m, a surplus of £0.579m. This surplus has arisen due to a higher than projected increase in interest rates, therefore for a similar investment a greater return is being achieved.

- 6.1.2 **Capital Financing Costs** - the budget for loan charges in 2023/24 is £14.826m, comprising £6.271m for loan principal, £8.371m for interest costs and £0.184m for loans fund expenses.

The current projection for loans charges to the General Fund is an overspend of £1.752m in interest and expenses. This has again arisen due to higher than projected interest rates and a subsequent reprofiling of external borrowing. This reprofiling will take advantage of lower interest rates in the earlier part of the year against projected increase in interest rates in the latter half of the year. This projected overspend will be

monitored as the year progresses and borrowing will only be taken if required.

## 6.2 **Housing Revenue Account (HRA)**

6.2.1 **Interest on Revenue Balances** - the HRA budgeted for investment income of £0.200m in 2023/24, based on an estimate of the average revenue balances held during the year. Budgeted at achieving an assumed interest rate return of 2.50% on these balances.

At June 2023 (Qtr1) the full year estimate for investment income earned is £0.343m resulting in a surplus of £0.143m. Similar to General Services, a higher than anticipated interest rate has resulting in an over achievement of returns on investments..

6.2.2 **Capital Financing Costs** - the budget for HRA loan charges in 2023/24 is £4.463m, comprising £1.674m for loan principal, £2.729m for interest costs and £0.060m for loans fund expenses.

The current projection for HRA loan charges is an overspend of £0.544m in interest and expenses. This overspend is again similar to the explanation for General Services overspend i.e. that higher than budgeted interest rates are being encountered.

## 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 Should the recommendations be rejected, then the Council will not be in compliance with the CIPFA Code of Practice on Treasury Management.

## 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 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 the Public Services**

**Report to South Ayrshire Council of 1 March 2023 –[Treasury Management and Investment Strategy 2023/24](#)**

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**Date: 28 August 2023**

## 1. Economic Activity

The first quarter of 2023/24 saw:

- A 0.2% month on month (m/m) rise in real GDP in April, partly due to fewer strikes;
- CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May.
- Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
- A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
- Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
- 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.

The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March’s 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.

The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to materialise, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.

The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%

The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank’s forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank’s forecast.

CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the

UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.

This suggests the Bank may have more work to do than the Fed (Federal Reserve) or ECB (European Central Bank). This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.

That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the ongoing strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.

Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.

The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.

In early April, investors turned more optimistic about global GDP (Gross Domestic Product) growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

## MPC meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank’s inflation models being “broken” is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

## 2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View	26.06.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
<b>BANK RATE</b>	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

### 1. Future path of Bank Rate

Our central forecast for interest rates was previously updated on 25th May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.

- Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

### **PWLB Rates**

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include:

- Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- The Bank of England increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- A broadening of banking sector fragilities, which have been successfully addressed in the near-term by central banks and the market generally, but which may require

further intervention if short-term interest rates stay elevated for longer than is anticipated.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- Despite the recent tightening by 0.5%, the Bank of England proves too timid in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term US treasury yields rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected gilt issuance, inclusive of natural maturities and QT, could be too much for the markets to comfortably digest without higher yields compensating.

## 1.1 *The Council's Capital Expenditure and Prudential Indicators*

- (1) The following section provides the information relating to the 2023/24 capital position and prudential indicators.
- The Council's capital expenditure plans.
  - How these plans are being financed.
  - The impact of the capital expenditure plans on the prudential indicators and the underlying need to borrow.
  - Compliance with the limits in place for borrowing activity.
- (2) The tables below draw together the main movement in terms of the capital expenditure plans compared to the original plan, highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements for capital expenditure. The borrowing element of Table 1 for both General Services and HRA below revises the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR).

**Table 1**

	<i><b>2023/24 Original Estimate £'000</b></i>	<i><b>2023/24 Latest Estimate £'000</b></i>
<b>Prudential Indicator – General Services</b>		
Capital Expenditure	<b>99,145</b>	<b>99,661</b>
<b>General Services - Financed By</b>		
General and Specific Grant	13,358	14,746
Capital Receipts/Other	31,380	27,062
Borrowing	54,407	57,853
	<b>99,145</b>	<b>99,661</b>

<b>Prudential Indicator – HRA</b>		
Capital Expenditure	<b>75,740</b>	<b>76,808</b>
<b>HRA - Financed By</b>		
CFCR, Draw on surplus	14,559	14,015
Other Receipts/ Grants	7,510	8,460
Borrowing	53,671	54,333
	<b>75,740</b>	<b>76,808</b>

\*Note reason for additional cost of borrowing is predominately due to a reprofiling of Scottish Government grant for the Ayrshire Growth Deal projects. These projects are monitored closely within the capital programme and reported on monthly basis to Scottish Government. Any changes to this profiling will be reported as part of capital quarterly monitoring.

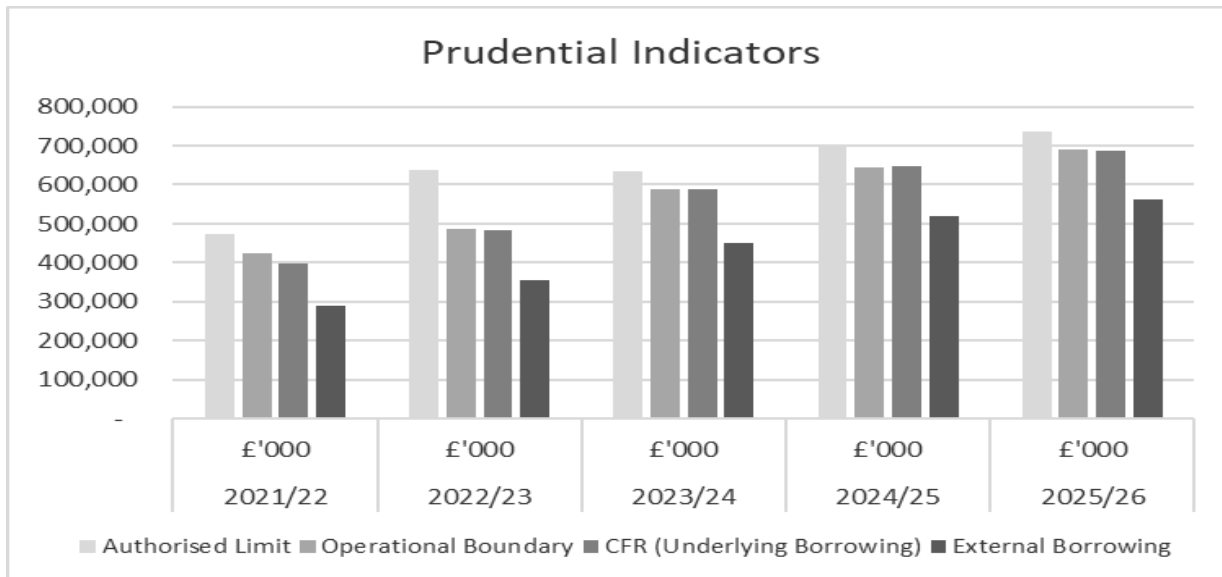
1.2 **Capital Financing Requirement, Debt Position and Operational Boundary Indicators**

(1) Table 2 shows the CFR, which is the underlying need to incur borrowing for a capital purpose.

**Table 2**

<i>Prudential Indicator – CFR</i>	<i>2023/24 Original Estimate £'000</i>	<i>2023/24 Updated Estimate £'000</i>
Capital Financing Requirement – GS	455,043	457,064
Capital Financing Requirement – HRA	129,426	129,935
<b>Total Capital Financing Requirement</b>	<b>584,469</b>	<b>586,998</b>

(2) **Prudential Indicators Chart**



The chart shown at (2) above shows estimated key prudential indicators in bar chart format:

- External Borrowing** – shows significant increase in the next two years as the Council utilises borrowing to fund capital investment
- Capital Financing Requirement** – shows increases in CFR in line with external debt. The Council ended 2022/23 in an under borrowed position (CFR compared with external debt) of £37.274m. The current strategy will be to reflect an under-borrowed position in the short/medium term as reflected in the chart.
- Operational Boundary** – this indicator is higher than external debt and CFR as it includes provision for other long term financing liabilities such as PPP and Finance leases, and short term cash flow variations.



4. **Authorised Limit** – the limit which cannot be exceeded in terms of the Council’s debt position. This indicator is higher than the operational limit as provision is made for other cash flow variation and potential borrowing in advance.

**Table 3**

<i>Prudential Indicators – Debt</i>	<b>2023/24 Original £'000</b>	<b>2023/24 Updated £'000</b>
Authorised Limit	641,000	633,500
Operational Limit	590,000	590,000
External Debt	435,660	450,660

### 1.3 Liability Benchmark

- (1) A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

*CIPFA notes in the 2021 TM Code: “The liability benchmark should be analysed as part of the annual treasury management strategy, and any substantial mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). The treasury strategy should explain how the treasury risks inherent in these mismatched positions will be managed.”*

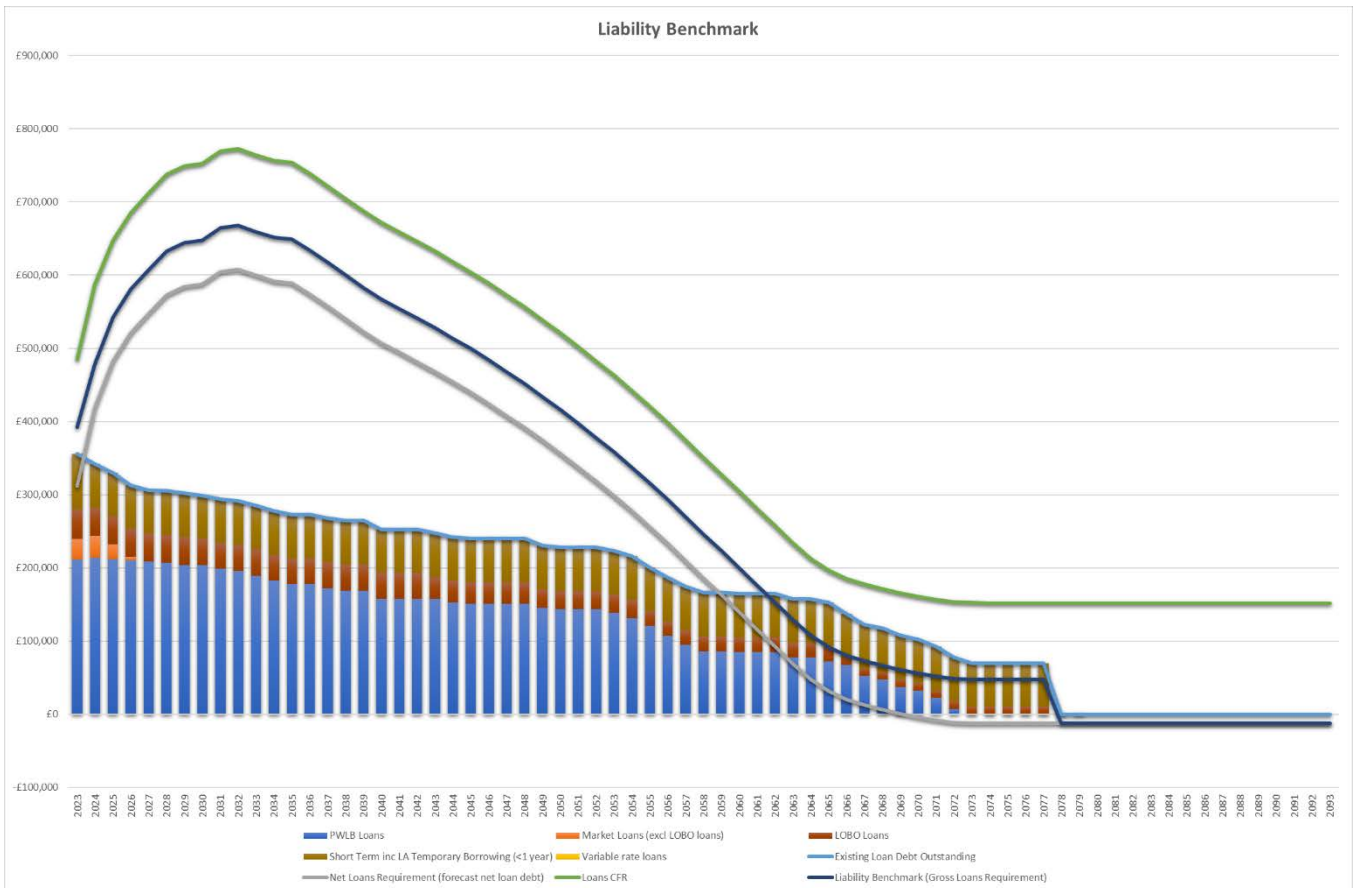
- (2) There are four components to the Liability Benchmark:
1. **Existing loan debt outstanding:** the Authority’s existing loans that are still outstanding in future years.
  2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments. (Note only approved prudential borrowing is included).
  3. **Net loans requirement:** this will show the Authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
  4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.
- (3) The graph below shows each of the 4 components, Existing Loan Debt Outstanding as shown in the bar chart of graph with overarching pale blue line, Loans CFR as shown by the green line, Net loans requirement as shown in the grey line and finally the liability benchmark as shown in the dark blue line.

This liability benchmark indicator is relevant for all authorities, including those with a net cash surplus. For such authorities, it becomes a measure of the forecast net

investment requirement and guides the appropriate size and maturity of investments needed.

Any years where actual loans are less than the benchmark indicate a future borrowing requirement. Any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.

From chart below you can see SAC loans are less than the benchmark for at least the next 40 years which as stated indicates a future borrowing requirement. This is in line with SAC future capital plans and to replace existing borrowing which is due to mature in the coming years.



**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 and Investment Strategy Quarter 1 2023-24
Lead Officer (Name/Position/Email)	Kate Copland, Senior Finance Officer Treasury/ Capital – kate.copland@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>The strategy outlines the approach to be taken in managing the Council's cash flow and capital funding arrangements and is a mechanism for ensuring that budget targets are achieved: a full EQIA is, therefore, not required</b>	
<b>Signed :</b> Tim Baulk	<b>Head of Service</b>
<b>Date:</b> 17 July 2023	