

# East Ayrshire Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of East Ayrshire Council and the Controller of Audit  
October 2023

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# Contents

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Key messages	3
Introduction	5
1. Audit of 2022/23 annual accounts	7
2. Best Value	18
3. Financial management	24
4. Financial sustainability	31
5. Vision, leadership and governance	35
6. Use of resources to improve outcomes	40
Appendix 1. Action plan 2022/23	43

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# Key messages

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## 2022/23 annual accounts

- 1 An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the three section 106 charities administered by the council.
- 2 The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 3 Adjustments have been identified within the disclosure of non-current assets in the financial statements. Management have made appropriate adjustments to the annual accounts, decreasing net assets by £26.414 million.

## Best Value – Vision and leadership

- 4 The East Ayrshire Community Plan 2015-2030 is viewed as the area's 'sovereign plan'. It is centred around three key themes of economy and skills, safer communities and wellbeing, each with its own delivery plan. The Council's Strategic Plan 2022-27, published in June 2022, is aligned to this.
- 5 The wider strategic framework was approved by Council in October 2022 and incorporates the Medium-Term Financial Strategy, Workforce Strategy, Digital Strategy and Strategic Plan action plan.
- 6 Elected members and officer leadership has been effective in setting the new strategic plan and articulating its priorities. Cross party working on emerging or operational issues is facilitated through the Sounding Board.
- 7 The council's new priorities were developed from sustained engagement with its communities. A commitment to empowering its citizens is demonstrated through its established Vibrant Communities Service.
- 8 The council agreed an action plan for tackling poverty and inequality in October 2022.
- 9 The council has taken an innovative approach to developing its climate change strategy, led by children and young people. The council has reduced emissions by 24 per cent since 2012 and has an ambitious target to be net zero by 2030.
- 10 The council has maintained its focus on continuous improvement and good progress has been made with the recommendations made in its 2018 Best Value Assurance Report. Robust arrangements are in place to secure Best

Value and there is a clear understanding of areas where further improvements can be made.

- 11** Performance reporting is balanced and regularly reported to elected members through a variety of formats. Performance information could be more accessible and understandable for members of the public, with a clearer link to council priorities.

## **Financial management and sustainability**

- 12** The council has appropriate and effective financial management arrangements.
- 13** In 2022/23 the council reported a net overall draw on earmarked service balances of over £4 million in line with Council's Reserve Strategy. Usable reserves total £96 million at 31 March 2023, and of this £38m continues to be earmarked for future spending priorities.
- 14** The Medium-Term Financial Strategy (MTFS) 2022-27 is aligned with the Strategic Plan priorities. It shows an anticipated budget gap of between £7.0 million and £13.0 million for 2023/24 and an anticipated cumulative budget gap of between £29.0 million and £61.0 million by 2026/27.
- 15** A Programme Management Office is managing ten key improvement projects linked to the strategic plan actions. An approach to measuring and reporting on the benefits realised from these projects is to be developed.

## **Governance**

- 16** Effective governance and decision-making arrangements are in place at the council.

## **Use of resources to improve outcomes**

- 17** The council's overall service performance in relation to other councils has improved since 2010/11. 54% of Local Government Benchmark Framework indicators were in the top two quartiles in 2021/22.
- 18** The council has developed and implemented a bespoke in-house East Ayrshire Self-Assessment Model (EASAM). Ten service reviews have progressed during 2022/23 on areas including Facilities and Property Management, People and Culture, Finance and ICT and Members' Services.

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# Introduction

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1. This report summarises the findings from the 2022/23 annual audit of East Ayrshire Council (the council). The scope of the audit was set out in an Annual Audit Plan presented to the 20 April 2023 meeting of the Governance and Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's Annual Accounts.
- conclusions on the council's performance in meeting its Best Value duties.
- conclusions on the following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice 2021\*](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

2. This report is addressed to the members of council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

3. I, Fiona Mitchell-Knight (Audit Director), have been appointed by the Accounts Commission as auditor of East Ayrshire Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [\*Code of Audit Practice\*](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, senior management, and other staff, particularly those in Finance & ICT, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

5. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing Annual Accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Governance and Scrutiny Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the Annual Accounts being certified.

## Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £335,500 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual accounts

The council is required to prepare Annual Accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the three section 106 charities administered by the council.

The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Adjustments have been identified within the disclosure of non-current assets in the financial statements primarily as a result on an event after the Balance Sheet date. Management have made appropriate adjustments to the annual accounts, decreasing net assets by £26.414 million.

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## Audit opinions on the Annual Accounts of the council and its group are unmodified

12. The Annual Accounts for the council and its group for the ended 31 March 2023 were approved by the Governance and Scrutiny Committee on 12 October 2023. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the Management Commentary, Annual Governance Statement and Remuneration Report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

13. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

### The unaudited Annual Accounts were received in line with the agreed audit timetable

14. The unaudited Annual Accounts were received in line with our agreed audit timetable on 29 June 2023. The Annual Accounts submitted for audit were of a good standard and were supported by underlying working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Our audit testing reflected the calculated materiality levels

15. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

16. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values for the council and its group

Materiality	Council	Group
<b>Overall materiality:</b> This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2023.	£13.195 million	£13.204 million
<b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 70% of overall materiality.	£9.237 million	£9.243 million
<b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.250 million	£0.250 million



Source: Audit Scotland

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## Identified misstatements of £26.414 million were adjusted for in the Annual Accounts

17. Identified misstatements, including misclassifications, with a gross value of £26.414 million were adjusted in the Annual Accounts. During the audit the Council's insurer materially changed the level of insurance cover that could be applied to the general non specified element of the Council's heritage assets. As a result, management informed the audit team that an adjustment of £26.114m would be processed. As heritage assets are the only assets valued on this basis we are satisfied that this does not impact on any other asset valuations.

18. Management have now adjusted the Annual Accounts and these adjustments have contributed to the total comprehensive net income decreasing by £26.414 million, with a corresponding increase in total reserves. Further detail of these adjustments are included in [Exhibit 2](#).

## We have significant findings to report on our audit of the Annual Accounts

19. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

20. The Code of Audit Practice also requires all auditors to communicate key audit matters within the annual audit report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

21. Our significant findings are detailed in [Exhibit 2](#).

22. The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

23. In accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management. This included amendments to the accounting policy and group accounts note, and disclosures within the notes for pensions and trade and other payables. The disclosure changes were satisfactory.

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## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Non-current asset revaluation programme</b></p> <p>The council revalued assets within the depreciated replacement cost valuation, de minimus value and surplus property classifications at 31 March 2023. Council dwellings were not included in the revaluation programme for 2022/23.</p> <p>After discussions with the audit team around non-current asset valuations, consideration was given to market conditions and any impact these would have on the value of council dwellings as their last formal valuation took place at 31 March 2019.</p> <p>Following initial work by the valuer, a decision was taken to review and estimate the impact on council dwelling carrying values of market conditions over the past four years. External data from the UK Government Land Registry was used to estimate and account for the impact of market factors on council dwellings. This identified an increase in council dwelling valuations of £42.981 million. Management included this within the unaudited accounts and we are satisfied that the approach taken provides the best estimate of the asset values for the 2022/23 accounts.</p>	<p>The valuer provided evidence of market movements and an updated valuation calculation. Management included this information with the unaudited accounts to reflect the impact of market conditions on the council dwellings.</p> <p>This highlights the material movements in valuation over a five-year valuation programme. We recommend that the council review their revaluation programme and take a cyclical approach which would involve annual revaluations of a proportion of each class of non-current assets. This will provide management with assurance that all classes of non-current asset valuations on the balance sheet remain appropriate every year.</p> <p><b><u>Recommendation 1</u></b></p>
<p><b>2. Provisions and Contingent Asset &amp; Liabilities disclosures – Note 20 and 21</b></p> <p>Our testing of the council’s provisions identified that part of the disclosure was not in line with code requirements as the amount utilised and added to the provision in year was not disclosed.</p> <p>Substantive testing of each provision and contingent liabilities identified the following issues:</p> <ul style="list-style-type: none"> <li>• A provision for historical child abuse referred to the incorrect legislation detailing the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Bill operated by the Scottish Government rather than the Limitation (Childhood Abuse)(Scotland) Act 2017.</li> <li>• An ongoing case for additional contractual payment encountered as part the New Cumnock Flood Prevention Scheme is required to be disclosed as a contingent liability. This was identified as a post balance sheet event.</li> </ul>	<p>A table disclosing the additional information required by the Code requirements has been added. The provisions and contingent liability disclosures has been revised to reflect the audit findings.</p>

Issue	Resolution
<ul style="list-style-type: none"> <li>Business Loans Scotland contingent liability required more detail to be disclosed to clarify the position regarding this as a Financial Guarantee.</li> </ul>	
<h3>3. Non-current asset disclosures</h3>	
<p>Our testing of the council's non-current assets identified the following issues:</p>	<p>Management conducted a high-level review of fully depreciated assets and made appropriate gross book value adjustments to the 2022/23 accounts in respect of £15.104 million.</p>
<ul style="list-style-type: none"> <li>Where assets are no longer in use they should be formally scrapped or sold. Assets continuing in use should if fully depreciated be revalued and depreciated over the remaining useful economic life where material. Our review of the asset register identified that there were 296 assets within Vehicles, Plant and Equipment with an original cost and accumulated depreciation of £31.819 million, with a net book value of zero.</li> </ul>	<p>Management should conduct a detailed review of all assets with a nil book value to ensure any fully depreciated assets still in use are revalued and depreciated over their remaining useful economic life.</p>
<ul style="list-style-type: none"> <li>An asset with a gross book value of £0.290 million (net book value £nil) was demolished in 2022. However, it was not accurately removed from the Property, Plant and Equipment disclosures in the accounts or the underlying fixed asset register documentation.</li> </ul>	<p>Management have adjusted the identified misstatements in the audited Annual Accounts.</p>
<ul style="list-style-type: none"> <li>Following revaluation in 2022/23 an asset with a net book value of £0.300 million was double counted within the Property, Plant and Equipment disclosures in the accounts and the underlying fixed asset register documentation.</li> </ul>	<p>Management have adjusted the identified misstatements in the audited Annual Accounts. This had the effect of reducing Property, Plant and Equipment by £0.300m.</p>
<ul style="list-style-type: none"> <li>A number of assets subject to impairment were correctly revalued to nil net book value but the impairment disclosure was found to be incomplete.</li> </ul>	<p>Management have amended the impairment disclosure within the audited Annual Accounts.</p>
<ul style="list-style-type: none"> <li>Heritage Assets are valued on an insurance valuation basis. The council's insurance team have been renewing the insurance contracts for the coming year and have established that the available insurance cover for unidentified assets will require to reduce in the coming year following changes in insurance market conditions as advised by the Councils insurer.</li> </ul>	<p>Management have made appropriate adjustments in the audited Annual Accounts.</p>

Issue	Resolution
<p>Based on this new information the council have adjusted the value of heritage assets. This resulted in a reduction in net assets of £26.114 million.</p> <ul style="list-style-type: none"> <li>A Common Good asset was inaccurately included within the council's fixed asset register common good land and buildings of £3.005 million in 2021/22. Management adjusted this in 2022/23. This resulted in the Council's Land and Buildings reducing by £3.005 million. The Common Good Account reflected an increase of £7.605 million within the revaluation line. This has subsequently been amended to reflect £3.005m as a movement in year and £4.600 million for the 2022/23 revaluation increase. Appropriate disclosures have now been added to the relevant notes.</li> </ul>	<p>Management have amended the identified misstatements in the audited Annual Accounts.</p>

#### 4. Pension balance

The pension balance represents the difference between expected future payments to pensioners and the underlying value of pension fund assets available to meet this liability.

The council is an admitted member of Strathclyde Pension Fund. Valuation of pension fund assets and liabilities is assessed by an independent firm of actuaries (Hymans Robertson LLP). Pension assets and liabilities are calculated annually for each individual member body, by the actuary, for inclusion in the Annual Accounts. Annual valuations are dependent on a number of external variables, including projected rates of return on assets, projected rates of price and pay inflation, interest rates and mortality estimates.

The council's 2022/23 valuation showed an asset of £294.509 million (2021/22: liability of £65.320 million). As required by accounting standards, the asset shown in the council's Balance Sheet has been limited to £22.612 million. The amount that can be recognised as an asset is limited to the estimated future service cost less the minimum contribution required, otherwise known as the asset ceiling.

This is included for information due to the large year-on year movement in the pension balance.

We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.

## Our audit work responded to the risks of material misstatement we identified in the annual accounts

24. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Planned assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> <li>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>Assess the design and implementation of controls over journal entry processing.</li> <li>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</li> <li>Test journals at the year-end and post-closing entries and focus on significant risk areas.</li> <li>Evaluate significant transactions outside the normal course of business.</li> <li>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</li> <li>Substantive testing of income and expenditure</li> </ul>	<p><b>Results:</b></p> <p>Related party transactions assessment identified a minor misstatement for which management have made appropriate adjustments.</p> <p>We assessed the design and implementation of controls over journal entry processing. We concluded our review satisfactorily.</p> <p>Journal adjustments were tested, and no indication of management override of controls were found.</p> <p>We reviewed transactions during the year – no issues were identified with significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>We concluded our cut-off testing for income and expenditure with no issues identified.</p> <p>We substantively tested income and expenditure and undertook focussed testing on accruals and</p>

Audit risk	Planned assurance procedure	Results and conclusions
	<p>transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <ul style="list-style-type: none"> <li>• Focussed testing of accounting accruals and prepayments.</li> </ul>	<p>prepayments. Two misstatements were identified. Management have corrected one misstatement and the other was below our reporting threshold and has not been adjusted. Our audit testing concluded that the issues identified are not systematic and that there is no risk of material misstatement within the remaining untested population.</p> <p>Our substantive testing of year-end transactions provides us with assurance that there are no material misstatements and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p><b>Conclusion:</b> No instances of management override of controls were identified.</p>
<p><b>2. Significant estimation and judgement: other land and buildings, council dwellings and schools PPP valuations</b></p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of more than £834 million as at 31 March 2022.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets were revalued on a five-year rolling basis.</p>	<ul style="list-style-type: none"> <li>• Review the information provided to the valuer to assess for completeness.</li> <li>• Evaluate the competence, capabilities, and objectivity of the professional valuer.</li> <li>• Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</li> <li>• Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</li> </ul>	<p><b>Results:</b></p> <p>We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation teams work, and the external valuer, confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment that land and buildings not</p>

Audit risk	Planned assurance procedure	Results and conclusions
<p>Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets.</p> <p><b>Risk:</b> Valuations of these assets are materially misstated.</p>	<ul style="list-style-type: none"> <li>• Test the reconciliation between the financial ledger and asset register.</li> <li>• Evaluate management’s assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions.</li> <li>• Critically assess the adequacy of the council’s disclosures regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</li> </ul>	<p>revalued in 2022/23 are not materially misstated, to be reasonable, and found assumptions made to be appropriate.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p><b>Conclusion:</b> No issues were identified with the assumptions applied to the revaluation.</p>

Source: Audit Scotland

25. In addition, we identified the pension balance as an “other area of audit focus” in our 2022/23 Annual Audit Plan. This is considered in [Exhibit 2](#) and based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

### The council’s 2022/23 Management Commentary provides a fair and balanced picture of its performance and operational activity for the year

26. The council’s Management Commentary that accompanies the Annual Accounts explains how the council has performed against its revised budget. The council has included a good level of disclosure on the principal risks it is facing going forward. This includes details on the challenging financial environment the council is operating within due to budget pressures and demand for services.

27. In our view, the disclosure represents a fair and balanced commentary on the council’s performance in 2022/23 and is transparent on the risks it faces in the coming year. This is presented in a user-friendly format which makes good use of relevant infographics that help tell the story of the council’s performance in 2022/23. It provides a link between the council’s financial reporting and the financial statements.

## **The Annual Governance Statement provides an appropriate level of disclosure on the council's governance arrangements during 2022/23**

28. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework 2016. The council's Annual Governance Statement complies with this guidance.

29. The draft Annual Governance Statement was presented to the Governance and Scrutiny Committee in April 2023 alongside the council's annual review of the Code of Corporate Governance. As part of our audit, we reviewed the Annual Governance Statement and requested the inclusion of progress against the 2022/23 governance action plan and the incorporation of improvement actions for 2023/24.

## **The audited part of the Remuneration Report was consistent with the Annual Accounts and has been prepared in accordance with applicable regulations**

30. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a Remuneration Report within its Annual Accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

31. We have no issues to report in relation to the information included within the Remuneration Report in the council's 2022/23 Annual Accounts.

## **Our audit opinions on the Annual Accounts of the three Section 106 charities administered by the council were unmodified**

32. In addition to administering several trusts that have non-charitable status, a number of elected members of the council are trustees for the three registered Scottish charities:

- East Ayrshire Council Charitable Trusts: charity number – SC025073
- Miss Annie Smith Mair Newmilns Trust: charity number – SC021095
- Archibald Taylor Fund: charity number – SC019308.

33. The trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.



34. As a result of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

35. Our duties as auditors of the charities administered by East Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustee's Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

36. The Trustees have considered and reviewed each charitable trust and had been progressing the wind up of the Archibald Taylor Trust. On 13 June 2023, OSCR approved the Trustees application to wind up the Archibald Taylor Trust.

37. We have given an unqualified opinion on the Annual Accounts of the three charities administered by the council. We noted that the East Ayrshire Charitable Trust has not disbursed any funds in recent years and therefore could be considered dormant.

38. We identified one processing error within our audit testing of payments. Management made appropriate amendments to the audited accounts.

### **Good progress was made on prior year recommendations**

39. The council has made good progress in implementing the audit recommendations identified by Deloitte, the council's previous external auditor as set out in [Appendix 1](#).

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## 2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

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### Conclusions

The East Ayrshire Community Plan 2015-2030 is viewed as the area's 'sovereign plan'. It is centred around three key themes of economy and skills, safer communities and wellbeing, each with its own delivery plan. The Council's Strategic Plan 2022-27, published in June 2022, is aligned to this.

The wider strategic framework was approved by Council in October 2022 and incorporates the Medium-Term Financial Strategy (MTFS), Workforce Strategy, Digital Strategy and Strategic Plan action plan.

The council has maintained its focus on continuous improvement and good progress has been made against the 2018 Best Value Assurance Report recommendations. Robust arrangements are in place to secure Best Value and there is a clear understanding of areas where further improvements can be made.

Performance reporting is balanced and regularly reported to elected members through a variety of formats. Performance information could be more accessible and understandable for members of the public with a clearer link to council priorities.

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### Best Value work in 2022/23

40. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

41. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2022/23 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on leadership in the development of the council's strategic priorities.
- Progress made against Best Value improvement actions made in previous years.

- Council service performance improvement.
- Effectiveness of council performance reporting.

42. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

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

43. This year auditors were asked to focus on the council's leadership of the development of new local strategic priorities. The results of this work were reported to the council's elected members at the October 2023 Governance and Scrutiny Committee.

44. The key findings in this report were as follows:

- 1 The council has continued to maintain its strong performance and focus on continuous improvement reported in previous Best Value reports. The council has robust arrangements in place to secure Best Value and has a clear understanding of areas where it can improve further.
- 2 The council's leadership has been effective in working with its partners and setting out a clear vision and priorities for its communities. The council has a record of working well with its partners. The East Ayrshire Community Plan 2015-2030 is viewed as the area's 'sovereign plan'. It is centred around three key themes of economy and skills, safer communities and wellbeing, each with its own delivery plan. The Council's Strategic Plan 2022-27, published in June 2022, is aligned to this.
- 3 The council's new priorities were developed from sustained engagement with its communities. A section on 'What we heard from our communities' is in the plan for each of its six priorities. A commitment to empowering its citizens is demonstrated through its established Vibrant Communities Service.
- 4 The council has a long-established culture of self-assessment and improvement in both its services and its governance.
- 5 The council's overall service performance in relation to other councils has improved since 2010/11 and been maintained over the last five years. Over half of Local Government Benchmark Framework (LGBF) indicators were in the top two quartiles in 2021/22.
- 6 As part of the council plan development, a council-wide strategic self-assessment was completed based on the Best Value criteria. The council has developed and implemented a bespoke in-house East Ayrshire Self-Assessment Model (EASAM). Ten service reviews have progressed during 2022/23 on areas including facilities and property management, people and culture, finance and ICT and members' services.
- 7 The council's current public performance reporting on services is balanced with useful commentary and will be developed further to provide a clear link to the strategic priorities.

- 8** The council has clear commitments to reducing inequalities and addressing climate change in its Strategic Plan 2022-27. An innovative approach to developing its climate change strategy was led by children and young people from across East Ayrshire.
- 9** Alongside the Strategic Plan the council has developed a Medium-Term Financial Strategy, Workforce Strategy and Digital Strategy as part of their wider Strategic Framework 2022-27. Each of the strategy documents include forward looking actions which recognise the need to align resources and maintain flexibility to integrate new ways of working and further opportunities to digitalise services.
- 10** The council updated the 2021-24 Service Improvement Plans as part of the mid-point review to incorporate relevant actions relating to the Strategic Plan 2022-27. In line with demonstrating continuous improvement, the council plans to develop new service improvement plans, covering the period 2024-2027 in 2024.
- 11** Key to delivery of the council's plans will be achievement of the transformation programme, overseen by the Project Management Office (PMO). It is now a priority for the council to measure, monitor and report on the achievement of potential benefits arising from investment or change projects.
- 12** The council workforce strategy is aligned to the strategic plan. The strategy explores options for growing and developing employees and pathway opportunities for new employees to join the council workforce. Further work is taking place to review and develop workforce data to support workforce projections and to identify future skills gaps and development needs which will support future review and redesign of services.
- 13** Good progress has been made against the recommendations within the [Best Value Assurance Report](#) and previous Annual Audit Report findings.
45. Since the [Best Value Assurance Report](#) was published the council has maintained a focus on improvement and performance has remained strong. Within our thematic report, improvement recommendations were made. These are replicated in [Appendix 1](#) of this report. We will report on progress over the term of our audit appointment.

### **The council has made good progress with all recommendations made in its 2018 Best Value Assurance Report**

46. The 2018 [Best Value Assurance Report](#) (2018 BVAR) for East Ayrshire Council was published 2018. It concluded that the council has strong leadership and a clear vision for what it wants to achieve and is fully committed to empowering its residents. The council was helping communities develop the skills and confidence to deal with local needs and priorities. Overall performance was improving, and residents were satisfied with the services the council provides and the council had a long-established culture of self-assessment and improvement.
47. The 2018 BVAR contained five improvement recommendations. In response to these recommendations, the council approved a Best Value Improvement Plan. Progress of the improvement plan was reported to the Governance and Scrutiny Committee annually until 2021. The final progress update of the BVAR actions was reported in the Local Code of Corporate

Governance report to the May 2021 Governance and Scrutiny committee. At that time, three of the five recommendations were complete and the other two recommendations were continuing and had made good progress.

48. The previous auditor also reported progress annually against the BVAR recommendations in their Audit Dimensions and Wider Scope reports. As part of our 2022/23 Best Value thematic work, we followed up the agreed actions from the 2018 report. We concluded that good progress has been made against all the actions.

### **Performance reporting on services is balanced with useful commentary. It will be developed further to provide a clear link to strategic priorities**

49. The [Best Value: Revised Statutory Guidance 2020](#) sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

50. The performance information the council reports is balanced and the commentary provided against individual indicators is useful. The council is committed to reporting progress against the priorities it set out in its Strategic Plan 2022-27, published in June 2022, before the end of the 2023 calendar year.

51. The council has a dedicated performance management webpage that includes a wealth of information. The council reports its performance to the public in a number of ways via its website:

- **East Ayrshire Performs** – Quarterly performance reports are presented to Cabinet and the Governance and Scrutiny Committee. These include information relating to the council's financial performance and selected service performance that include areas of interest to elected members, areas of strong or under-performance, and areas where performance information has become available during the year. They provide up-to-date information on how the council is managing finances and capital projects, as well as progress in relation to issues such as absence management and health and safety. Performance against selected indicators appears under the heading 'Business Briefings'. Of the four East Ayrshire Performs summary reports produced relating to 2022/23, three have 'Business Briefings' sections.
- **Performance indicators** – The council provides a link to a list of 55 indicators endorsed by the Governance and Scrutiny Committee on 25 April 2019. Performance over the last three years is provided where available. The latest information available is for 2021/22. The council agreed to continue to report on 54/55 of these indicators in 2022/23. The link in which this information appears includes data for 45 out of the 55 indicators (reported to a joint meeting of the Council and the Community Planning Partnership Board on 22 September 2022). It has not been updated to reflect the remaining ten indicators that were reported in a report to the Governance and Scrutiny Committee in April 2023.

- **Local Government Benchmarking Framework** – In a clear and balanced report to the Governance and Scrutiny Committee in April 2023 the council presents analysis it has conducted on its performance against other councils and compares its own performance with previous years on the 82 indicators (out of a possible 103) where data was available at that time. It features a summary of its performance as well as a focus on indicators where it has performed well (Quartile 1) and where its performance is in Quartile 4. For these indicators it sets out improvement actions.

## **The accessibility of public performance reporting information on the council's website could be improved**

52. The Accounts Commission issued a new Statutory Performance Information Direction in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

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

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

54. There are areas in which the council could improve its public performance reporting. As set out in paragraph 51, performance is reported across a number of reports (SPI and LGBF reports, EA Performs, LOIP Annual performance report). There is no overarching framework, that is publicly available, setting out the purpose of each report or how they link together. The council could strengthen public performance reporting by including a document describing its overall approach to performance management on its website.

55. The council does ensure a large amount of performance information is made available on its website, as described above. However, its performance indicators are presented over two documents and would benefit from being available from one source. Although the council does compile a summary of LGBF performance, it does not summarise its performance against its own priorities. There are a few instances where information on the council's performance webpages is not up-to-date. The 2021-24 Service Improvement Plans and their associated action plans, updated in March 2023, are not linked from the council's performance management pages.

56. A council-wide strategic self-assessment was carried out in 2022/23 along with service-level self-assessments and an extensive programme of Best Value

service reviews and service redesigns. The council should make the results of these activities more accessible.

57. The council has a webpage dedicated to Best Value and performance. It contains links to its last three Best Value audit reports since 2006 but this page does not include any information on how the council has responded to these reports. There are no links in the performance pages to annual audit reports although these do appear on the council's website as Committee papers. Annual audit reports include a management response to audit actions and a summary of progress against previous actions.

58. It is difficult to find an overview of what assessments have been carried out on the council by scrutiny and inspection bodies. Where inspection reports are placed on the website it is not easy to find how the council has responded to these assessments. The audit team found three different webpages where inspection material was referred to.

59. In April 2022, the council's Strategic Self-Assessment identified an action to further strengthen public performance reporting arrangements and to maximise the use of the Pentana Performance Management system. The council is planning a review of the current suite of indicators during 2023/24 and is also committed to improving its public performance arrangements.

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# 3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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## Conclusion

The council reported a net overall draw on earmarked service balances of £4.881 million in line with Council's Reserve Strategy.

Total usable reserves reduced by just over £3 million in the year with a balance of £96 million remaining at 31 March 2023. Of this £38m is earmarked for future spending priorities.

The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

Financial systems of internal control operated effectively.

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## The council reported a net overall draw on earmarked service balances of £4.881 million

60. The council approved its 2022/23 budget in February 2022. The budget was set at £370.656 million with a funding gap of £6 million. Budget adjustments throughout the year resulted in a revised budget for 2022/23 of £387.626 million. In the 2022/23 Annual Accounts, the council reported a net overall draw on earmarked service balances of £4.881 million in line with the Council's Reserve Strategy.

61. The 2022/23 budget included planned savings which were outlined in revenue budget papers approved by Cabinet in February 2022. A range of savings initiatives were identified including savings from service redesign and service efficiencies.

62. The Reserves and Balances Strategy approved by Council on 4 March 2021 allows services to carry forward their underspends arising from managed savings for use in future periods on non-recurring or fixed term projects or to assist in aligning services with resources available over the three-year budget period.



63. In addition, services are required to carry forward sums earmarked against specific initiatives or liabilities. The Strategy requires Cabinet to review and approve balances on an annual basis following the conclusion of the audit of accounts.

64. In 2022/23 £14.187 million of earmarked underspend balances identified and approved as part of the review of service balances were used by services to take forward projects during the year in line with the approved commitment set out in the reserves balance review.

### **Usable reserves reduced by £3 million in the year with a balance of £96 million remaining at 31 March 2023**

65. One of the key measures of the financial health of a body is the level of reserves held. In 2022/23 there was a net decrease of £3.117 million in the council's usable reserves following the utilisation of earmarked balances, with the total now sitting at £95.883 million ([Exhibit 4](#)).

66. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Chief Financial Officer and Head of Finance & ICT) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- **Working balance:** To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- **Contingency:** To cushion the impact of unexpected events or emergencies.
- **Known requirements:** To build up funds to meet known or predicted requirements.

67. The council's general fund reserve includes an unearmarked balance of £10.825 million, representing 2.9% of net revenue expenditure against the original budget. Management consider that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's Reserves and Balances Strategy, where a commitment was made to maintain a minimum level of uncommitted reserves of 2%. The remainder of the general fund reserve, £38.307 million, is earmarked for specific purposes, with £36.261 million for committed and service-related spend and the remainder for a fund to support the council's transformation programme.

68. Within the General Fund reserve the most significant movements were in relation to the following:

- Planned use of a net £9.695 million of earmarked spend agreed through decisions taken by members and £4.492 million of uncommitted reserves agreed by members during the year following the in-year release of

£5.392m to uncommitted reserves as part of the 2022/23 Review of Service Balances in February 23.

- 5.609 million proposed for earmarking across different service areas for future commitments in line with the council's Reserves and Balances Strategy outlined at paragraph 62.

#### Exhibit 4 East Ayrshire Council - usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	£55.683	£57.016	£49.132
Housing revenue account	£18.549	£20.805	£23.808
Repairs and renewals	£3.076	£3.237	£3.682
Capital Grants Unapplied	£3.501	£0.000	£0.000
Capital fund	£16.436	£17.942	£19.261
<b>Total usable reserves</b>	<b>£97.245</b>	<b>£99.000</b>	<b>£95.883</b>

Source: East Ayrshire Council Annual Accounts 2020/21 to 2022/23

#### The housing revenue account reported a surplus of £3.003 million

69. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision. As at end of March 2023, East Ayrshire Council owned 12,039 housing units.

70. In February 2022, the council approved a 1.5% increase in the average weekly rent levels for tenants for 2022/23. In 2022/23, the council recorded a surplus on HRA services of £3.003 million increasing the cumulative balance on the HRA at 31 March 2023 to £23.808 million which will be required for commitments in future years. The underspend is a result of savings across a number of areas including void rent charges of £0.803 million.

71. Over the next 10 years, the council has a housing capital programme commitment to invest £153 million in the social housing provision, with £29.569 million being spent in 2022/23.

## **There are well-established budget monitoring and reporting processes in place**

72. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finance.

73. The Cabinet regularly review progress against the budget throughout the year through East Ayrshire Performs. The budget updates provide a good level of information on the reasons for the variances, the projected financial outturn and the challenges facing the council for the rest of the year. The information is provided at timely intervals throughout the year which enables scrutiny from members.

## **Capital expenditure was re-profiled during the year to reflect current pressures and refine the programme in line with affordability indicators**

74. Total capital expenditure in 2022/23 increased by £15.823 million from the prior year to £72.544 million.

75. The council's capital plan approved in February 2022 outlined an investment budget of £130.280 million for 2022/23. The investment was split across three main categories:

- general services expenditure was £60.4 million;
- housing services expenditure of £30.452 million;
- brought forward budget of £33.859 million from previous years.

76. Following the council's strategic framework approval in October 2022, a review of the capital programme was undertaken. A Capital Investment Programme Update paper was presented to Cabinet in February 2023. This outlined the national economic position and ongoing pressures and reflected the affordability criteria. Cabinet approved the re-profiling of the capital investment programme based on the affordability indicators and the council's priorities.

77. This re-profiled the capital budget for 2022/23 as follows:

- General services expenditure £39.690 million
- Housing services expenditure £30.452 million

## **General services programme 2022/23**

78. General Services capital programme updates are provided to Cabinet through the East Ayrshire Performs reports. The reports provide updates on the progress of projects and the spend to date. Total capital spend on the general services capital programme was £42.975 million. This was lower than the revised budget of £50.637 million.

79. The most significant spend within the general service capital programme was £17.226 million on the school estate and £13.247 million on roads. Other projects included investment in economic regeneration and development and wellbeing. Significant projects during the year included Netherthird Primary School and the early years investment programme.

80. The underspend against the revised capital budget was £7.662m million. This was largely due to the Ayrshire Road Alliance East project budget being underspent by £10.611 million.

81. Capital debt charges were lower than expected due to the reprofiling of elements of the capital programme in 2022/23. However, given the challenges around construction inflation and borrowing costs, the council recognise the need to continue to monitor and review the affordability and prioritisation of the capital programme particularly with regard to volatility in construction inflation.

### **Housing capital programme 2022/23**

82. The Strategic Housing Improvement Plan was approved by Cabinet in November 2022. The plan outlines planned investment in 2023/24 to 2026/27 for 689 homes either through new build projects or open market acquisition. During 2022/23 the council's investment in housing focussed on a programme of quality new build housing alongside completing East Ayrshire's first net zero affordable housing project which is aligned with the council's climate change strategy. The project aims to assist in tackling fuel poverty by moving away from gas-heating systems.

83. The housing spend was £29.569 million, this was lower than the planned £32 million. During the year work concluded at 67 properties including at Witch Road and Bellevue Gardens. There were some delays in the project at Kennedy Drive due to a tender delay whilst a final decision was made on Net Zero aspirations for the project, but work was anticipated to commence on this project in summer 2023.

### **Borrowing levels increased in 2023/24 and are set to increase over the next four years to 2026/27**

84. At 31 March 2023, long term borrowing was £402.846 million an increase of £41.936 million on the 2022 level of £360.910 million. During the same period, short-term borrowing decreasing from £50.087 million to £43.145 million.

85. The 2022/23 Treasury Management Strategy was approved by Council in February 2022. This identifies that for the period between 2022/23 and 2026/27 the Council required new borrowing of £367.832 million spread across the five-year period.

86. As outlined at paragraph 76, Cabinet re-profiling of the capital investment programme based on the affordability indicators and the council's priorities in February 2023. The 2023/24 Treasury Management Strategy was approved by Cabinet in February 2023 and updates the 2022/23 strategy position for borrowing requirements. Following the re-profiling of the capital plan and the consideration of the affordability prudential indicators established in the 2022/23

strategy, new borrowing of £315.1 million will be required over the period to 2026/27.

### **Financial systems of internal control have operated effectively**

87. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we have not identified any issues that represent a risk of material misstatement for the 2022/23 Annual Accounts.

### **Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2022/23**

88. The internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

89. We found the council's internal audit to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

90. Internal audit's annual report was presented by the Chief Internal Auditor to the Governance and Scrutiny Committee on 20 April 2023. The report concluded 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.

### **The Digital Strategy was approved in 2022 and work is ongoing to develop the Digital Management Board**

91. The council's Digital Strategy was approved in October 2022 as part of the Strategic Framework. The specific infrastructure to support the delivery of the Digital Strategy are now in place and a number of work-streams have been running concurrent to the delivery of the digital infrastructure.

92. The strategy included plans to establish a Digital Management Board. A draft report to outline the membership of the Board and to establish its terms of reference was due to be presented to the Corporate Management Team in June 2023. However, there have been delays to the process and work is ongoing to finalise the paper to share with management.

93. Following the creation, of the Digital Management Board, it is anticipated that decisions on how to measure performance and report on it in terms of KPIs will be made.

94. As part of our audit, we reviewed cyber security arrangements within the council. The Cyber Incident Response Plan and Disaster Recovery Plan are in the process of review and finalisation. We would consider it good practice to put in place measures to test the effectiveness of these plans following their approval.

95. We noted that mandatory cyber awareness training is in place for staff. At the time of completing our audit work, 69% of staff had completed their training within the required review timescale.

### **The council has in place appropriate arrangements for the prevention and detection of fraud and corruption**

96. The council has a range of established procedures for preventing and detecting fraud and irregularity including anti-fraud and bribery policies and codes of conduct for members and officers.

97. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council has made good progress in reviewing the very high-risk matches for the 2022/23 exercise in relation to blue badges and housing benefit. Progress has been made in reviewing creditors, council tax reduction scheme and housing tenants matches. The council arrangements for investigating and reporting data matches identified by the NFI are satisfactory. The council has been adequately proactive in investigating and reporting data matches identified by the NFI.

98. We have concluded that the council has in place appropriate arrangements for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

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# 4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

The council approved a balanced budget for 2023/24 in March 2023 without the use of reserves, after agreeing areas where savings are to be delivered to close its budget gap.

The council's Medium-Term Financial Plan (MTFP) 2022-27 is aligned with the Strategic plan priorities. It shows an anticipated budget gap of between £7.0 million and £13.0 million for 2023/24 and an anticipated cumulative budget gap of between £29.0 million and £61.0 million by 2026/27.

A Programme Management Office is established and managing ten key improvement projects linked to the strategic plan actions. A framework and Project Management Framework and work plan are in place. A benefit realisation approach is being developed to monitor, report and evidence the achievement of potential benefits arising from investment or change within the council.

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## The council has developed a medium-term financial strategy 2022-27

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

100. The council's Medium Term Financial Strategy 2022-27 was approved in October 2022. It aims to provide clear direction on the financial resources available to deliver the council's priorities. The strategy is the mechanism by which the council will consider and plan for longer term financial issues by providing advance notice of pressures arising, service and demand changes, UK and Scottish Government policy intention and demographic changes.

101. The strategy considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging

economic climate and estimated changes to funding. Officers have committed to preparing strategy updates to update these underlying financial and budgetary assumptions at specified points.

102. The Medium-Term Financial Strategy outlined underlying assumptions and risk scenarios and forecast a budget gap for each year between 2023/24 and 2026/27. This has been calculated on a low, medium and high-risk basis. The budget gap has been calculated based on the weighting of assumptions towards the best, average and worst-case scenario.

103. The strategy outlined an anticipated budget gap of between £7.0 million and £13.0 million for 2023/24 and an anticipated cumulative budget gap of between £29.0 million and £61.0 million by 2026/27 ([Exhibit 5](#)).

## Exhibit 5

### MTFS – cumulative budget gap 2023/24 - 2026/27

Scenario	2022/23 £'million	2023/24 £'million	2024/25 £'million	2025/26 £'million	2026/27 £'million
<b>Best case</b>	2.0	7.0	15.0	22.0	29.0
<b>Mid case</b>	2.0	10.0	23.0	32.0	39.0
<b>Worst case</b>	2.0	13.0	30.0	45.0	61.0

Source: East Ayrshire Council Medium-Term Financial Strategy Update October 2022

104. The Medium-Term Financial Strategy is progressing on the basis of the medium risk scenario which anticipates a budget gap of £39m between 2023/24 and 2026/27.

105. The council do not publish a long-term revenue financial plan, it has been decided that the most appropriate time frame for their strategic plan and accompanying financial plans is a five-year medium term financial strategy. The medium-term strategy focusses on the best use of financial resources whilst maintaining appropriate reserve balances and considering the affordability of treasury management decisions. Decisions around budget setting and capital planning consider the level of reserves held and the cost of borrowing and whether these meet affordability criteria in the short, medium and longer term.

## The council approved a balanced budget for 2023/24 in February 2023

106. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.



In this context, demonstration of how finances are aligned with locally set priorities is important.

107. As detailed above the medium-term financial strategy highlighted an estimated budget gap of £39m for the period 2022 to 2027, with £10 million identified for 2023/24. Further work was undertaken to identify areas where costs could be reduced or removed and as a result, a revised budget gap of £8 million was allocated to council services.

108. A budget update report was presented to Cabinet on 18 January 2023. This outlined to Members, various options for reducing expenditure. These identified savings options totalled £4.070 million. The remaining balance of £3.930 million was allocated to East Ayrshire Integration Joint Board and East Ayrshire Leisure Trust. As part of the update paper, Members approved a budget engagement exercise.

109. In line with the need for councils to undertake a review of their services and consider areas for reform, as part of its initial budget proposals, the council had identified plans for reducing teacher numbers in line with falling pupil rolls. However, in a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. This resulted in the council removing its proposals as it would have resulted in withdrawal of funding and additional savings been required to compensate. This reduced the level of identified savings to £2.820 million.

110. The 2023/24 Revenue Budget had initially set the Council Tax increase at 3%. However, as a result, of the requirement to maintain teacher numbers and classroom assistant levels, the council took the decision to increase council tax to five per cent to fund service expenditure in 2023/24. This resulted in an increase in revenue of £1.3 million. The remaining budget gap was allocated to East Ayrshire Integration Joint Board and East Ayrshire Leisure Trust. The council approved a balanced budget.

### **The council agreed an action plan for tackling poverty and inequality in October 2022**

111. In October 2022, the council agreed action plans for all six of its priorities, including tackling poverty and inequality. The tackling poverty and inequality action plan sets out actions for the eight tackling poverty and inequality key priorities identified in the Strategic Plan 2022-27 in June 2022. Actions are listed along with intended benefits, associated timescales and who within the Council Management Team is sponsoring that action.

112. For example, one of the key priorities is to 'Take action to support those most affected by increases in the cost of living'. The actions developed in relation to this key priority are:

- utilise cost of living balances to implement proposals to mitigate cost of living challenges for those most in need (2022/23)

- implement a cost of living communications engagement campaign (2022).

113. As part of the 2023/24 budget process the council recognised the financial demands and constraints faced by households and businesses across East Ayrshire from cost-of-living pressures. In September 2022, Cabinet approved the allocation of £3.1 million to fund a range of options to provide targeted support to household energy costs, establish financial inclusion officers in each of the council's high schools to provide recurring benefit maximisation to the families and carers of school pupils. Specific support was provided to local businesses and a range of supports continue to be provided to support households.

### **The council's transformation strategy workstreams have been mainstreamed into the Project Management Office**

114. The council have had two transformation strategies covering the period 2012-17 and 2017-2022. The first transformation strategy set out the council's approach to transforming the relationship with communities and delivering priorities. The second transformation strategy focussed on workstreams to support transformation activities across council services.

115. The Covid-19 pandemic accelerated some projects within the 2017-2022 Transformation Strategy and led to the development of a Recovery and Renewal Action Plan approved by Council in June 2020.

116. As outlined at paragraph 118, following the review of the council's management structure all transformational activity within the council was moved to the Project Management Office.

### **The council has established a Programme Management Office (PMO) but is still developing its benefit realisation approach**

117. The PMO has now been established within the council's Corporate Support Service and is responsible for setting, maintaining and ensuring standards for project management across the council. A work plan for the PMO is in place. Currently PMO support is in place for ten projects linked to the strategic plan actions. The PMO has responsibility for promoting best practice and centrally tracking the status and progress of each of the projects. The PMO will provide a source of advice and guidance for programme and project management, as well as being the information hub of the programme. It fulfils a monitoring role and oversees and co-ordinates activities for the programme.

118. The Council Management Team (CMT) approved the Project Management Framework in March 2023. They receive monthly reports on the PMO and strategic plan. Management recognises that the successful delivery of projects for organisational change or improvement of community outcomes require continual focus on the intended benefits. To support this, a benefits realisation approach is being developed as part of the Council's Project Management Framework. This will monitor, report and evidence the achievement of potential benefits arising from investment or change and will seek to embed benefits realisation into the work to the council.

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# 5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

Elected members and officer leadership has been effective in setting the new strategic plan and articulating its priorities. Cross party working on emerging or operational issues is facilitated through the Sounding Board.

Appropriate governance and decision-making arrangements are in place at the council.

The council has reduced emissions by 24 per cent since 2012 and has an ambitious target to be net zero by 2030.

An innovative approach has been taken to developing the climate change strategy with children and young people leading this.

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## **The elected member and officer leadership has been effective in setting clear priorities in the Strategic Plan 2022-27. Progress against delivery of the priorities now needs to be demonstrated**

119. In May 2022, local government elections were held across Scotland. Thirty-two councillors were elected to represent the nine wards of East Ayrshire Council. A minority SNP administration was formed. Prior to the election an SNP minority administration was in place.

120. The Council is supported by the following main committees:

- Governance and Scrutiny Committee
- Cabinet (Executive function)
- Local Government Licensing Panel
- Grants Committee

- Appeals/Recruitment Panels
- Ayrshire Shared Services Joint Committee
- Ayrshire Economic Joint Committee

121. The Chief Executive has been in post since January 2021 and is supported by the Executive Management Team which includes the Depute Chief Executive, Director of the Health and Social Care Partnership, Chief Governance Officer (Solicitor to the Council and Council Monitoring Officer), Chief Education Officer/Head of Schools, Head of Children's Health, Care and Justice Services (Chief Social Work Officer), Chief Finance Officer and Head of Finance and ICT. The Executive Management Team has been consistent over this time.

122. Prior to the Local Government elections in May 2022, the previous council started work to support the development of high-level priorities that could be taken forward by the new council in establishing a strategic plan. In the year up to June 2022, the previous council reviewed the recovery and renewal plans, set the council budget without the use of reserves, reviewed the community plan and the health and social care strategic plan. This work concluded with the agreement of high-level priorities which the newly appointed Council reviewed and discussed at their first meeting in June 2022.

123. The council's Strategic Framework was approved in October 2022. The Strategic Framework 2022-27 brings together the:

- Strategic Plan 2022-27
- Strategic Plan Action Plan 2022-27
- Medium Term Financial Strategy 2022-27
- Workforce Strategy 2022-27 and
- Digital Strategy: Our Digital Journey to 2027 and Beyond.

### **There is effective collaborative working between members and with members and officers towards the achievement of the priorities**

124. Effective leaders demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive.

125. Cross-party working is facilitated through the Sounding Board. This is an open forum for informal cross-party discussions. It provides an opportunity for emerging policy or operational issues with potentially significant impacts on the Council or East Ayrshire as a whole, to be discussed. The board consists of representation from each of the three main political party groups within the

council. The leader and depute leader from each of these parties form the board's membership.

126. The council's scheme of delegation outlines the boards terms of reference as being a flexible and informal forum to allow appropriate discussion and timely and effective planning in respect of emerging policy or operational matters which may have a significant impact on the Council or the East Ayrshire area. The board aims to establish commonality and identify differences in the parties' respective views on particular issues which can then be used to inform future policy development and the preparation of proposals which can then be presented to Council, Cabinet or other appropriate committees for formal approval.

127. From attendance at Governance and Scrutiny Committee meetings throughout 2023 we have observed members and officers demonstrating mutual respect, trust, honesty and openness and appropriate behaviours.

### **Effective governance arrangements and decision-making arrangements are in place at the council**

128. Members and management of the council are responsible for ensuring effective governance arrangements are in place, to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded. Effective governance arrangements also enable the council to monitor how effectively it is using its resources.

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

130. The Governance and Scrutiny Committees has responsibility for undertaking an annual review of the Code of Corporate Governance. This was most recently undertaken at the April 2023 meeting. The review included consideration of progress against the 2022/23 Corporate Governance action plan. There had been fourteen improvement actions identified for 2022/23 and all of these were achieved, apart from one that reported good progress and was due to conclude later in 2023.

131. The committee approved the proposed Corporate Governance Improvement action plan for 2023/24. Furthermore, the Governance and Scrutiny committee reviewed the draft 2022/23 Annual Governance Statement as part of this process.

### **Climate change arrangements**

132. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

## **The council has adopted an ambitious target to be net zero by 2030. A 24 per cent reduction in emissions has been reported since 2012**

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

134. In October 2021, East Ayrshire Council joined the UK100, a network of UK locally elected leaders committed to cleaner, more powerful and empowered communities and agreed to adopt its ambitious emission reduction targets. This means the council is aiming to reduce council emissions to net zero by 2030 and is demonstrating leadership by working with partners in setting an East Ayrshire area-wide target of net zero by 2045 at the latest. While the council did not formally declare a climate emergency in 2019 when other councils in Scotland did, it set out clearly in Clean, Green East Ayrshire, its 2021 Climate Change Strategy, that it does recognise there is a global climate emergency.

135. Like all public bodies in Scotland, the council is required to report annually on its compliance with its climate change duties. It reported in November 2022 that it had achieved a reduction in emissions of 24 per cent in comparison with its baseline in 2012.

## **Good practice: The council has taken an innovative approach to developing its climate change strategy, led by children and young people**

136. One of the recommendations from the Accounts Commission's September 2022 briefing, Scotland's councils' approach to addressing climate change, was to work collaboratively with local communities and ensure that people are able to effectively contribute to the design and delivery of climate change actions.

137. In March 2023 the council won a Working Together Award for its approach to developing its climate change strategy with children and young people from East Ayrshire at the UK-wide iESE Public Sector Transformation Awards. Children and young people were instrumental in developing the council's climate change strategy and continue to play an important role in the council's climate change response.

138. In October 2019, the Cabinet member for Children and Young People, Net Zero, Environment and Climate Change, Equalities and Inclusion worked with members of the council's Children and Young People's Cabinet to set up and run a Children and Young People's Climate Conference, held in East Ayrshire's Council Chamber. The main outcome from the conference was the plea from the children and young people to the council to look locally to see what changes could be made across all of its functions.

139. As a result, the council set up a Members and Officers Working Group which included representatives from the Children and Young People's Cabinet, elected members and officers from every service in the council. A comprehensive review of the council's operations was conducted and the council scrutinised where it was on the journey towards cutting its carbon emissions. The resulting strategy, influenced by the views of the children and young people of East Ayrshire, sets out plans across four themes – energy, waste, transport and the natural environment – to reduce carbon emissions.

140. At the second Children and Young People's Climate Conference, which took place as a virtual event in in 2021, the delegates pledged to develop Climate Change Actions Plans for their individual schools and wider communities. That event concluded with a commitment to recognise the achievements of young people in tackling Climate Change with the launch of the Clean Green Education Awards.

141. Since then, 21 schools have developed their own action plans and these include 217 individual action points which the children and young people have implemented. These actions and behaviour changes will help the council meet its net zero targets. The Clean Green Awards are designed to encourage action across the key themes of the climate change strategy and schools can aim for Bronze, Silver and Gold accreditations in recognition of their journey towards achieving net zero.

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# 6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

The council's overall service performance in relation to other councils has improved since 2010/11. 54% of Local Government Benchmark Framework (LGBF) indicators were in the top two quartiles in 2021/22.

The council has developed and implemented a bespoke in-house East Ayrshire Self-Assessment Model (EASAM). Ten service reviews have progressed during 2022/23 on areas including Facilities and Property Management, People and Culture, Finance and ICT and Members' Services.

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## The council's overall performance taken from national benchmarking data, has improved since 2010/11

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

143. The most recent National Benchmarking Overview Report 2021/22 by the Improvement Service was published in March 2023. Using this information, the council compiled and presented a tailored annual performance report on its 2021/22 performance to its Governance and Scrutiny Committee in April 2023, see paragraph 51.

144. It reported that when comparing its performance with other councils, 53.7% of the performance indicators for which data is available were in the top two quartiles in 2021/22. [Exhibit 6](#) sets out performance in the last five years and in 2010/11 as the reference year. Performance has remained relatively stable, between 49.4% and 56.3%, over the last five years.



## Exhibit 6

### Percentage of LGBF indicators for East Ayrshire Council in the top two quartiles in 2021/22

Year	Quartile 1 & 2 Performance
2021/22	53.7%
2020/21	50.0%
2019/20	56.3%
2018/19	49.4%
2017/18	55.3%
2010/11	43.5%

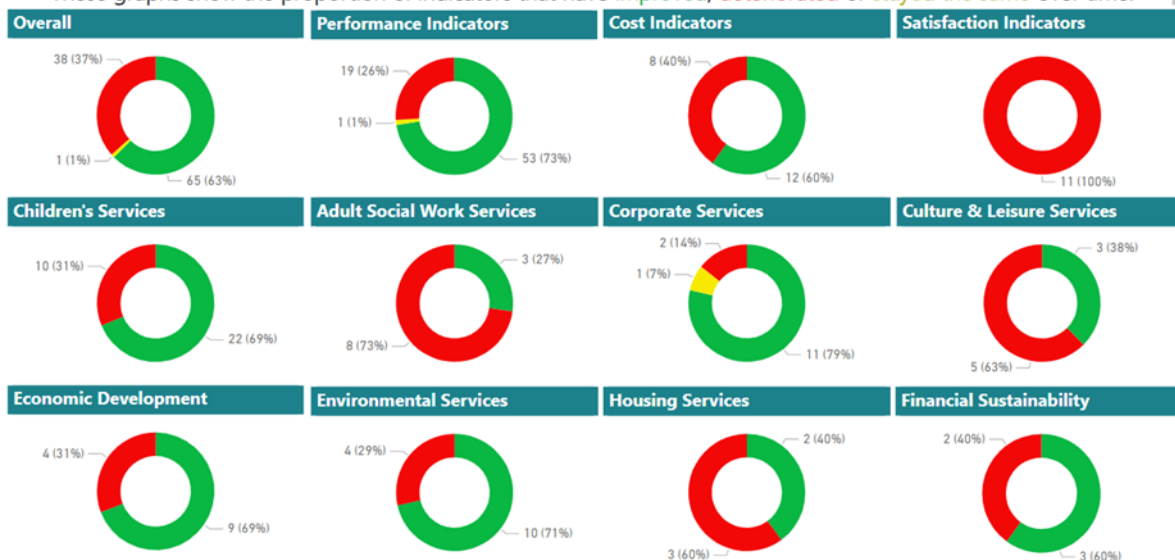
Source: East Ayrshire Council, LGBF

145. When comparing its own performance over time, the council reported improving or maintaining performance in 64.6% of LGBF indicators between 2020/21 and 2021/22 (The LGBF data has changed slightly since this was reported in April 2023 and as at July 2023 this figure is 54.0%). When comparing performance between 2010/11 and 2021/22 the council has improved or maintained performance in 62.2% of performance indicators.

## Exhibit 7

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

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



Source: Improvement Service – LGBF 2021/22

146. Of the 103 indicators reported in the 2021/22 LGBF data, 64 (62.2%) of these have improved for the council since the base year. Excluding the 21 indicators that were not updated for 2021/22, 53.7% of the council's performance indicators are in the top two quartiles.

147. The council has 16 indicators ranked in the top 5 in Scotland. These include:

- Literacy attainment gap
- Numeracy attainment gap
- Cost per dwelling of collecting Council Tax
- Percentage of council dwellings meeting Scottish Housing Quality Standard
- Percentage of council dwellings that are energy efficient.

148. For measures performing below the target set, variances are clearly explained within the 'Business briefing' section of the East Ayrshire Performs reports. However, we did note that improvement actions are not always clearly outlined.

# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Revaluation programme</b></p> <p>The council currently have a five-year revaluation programme which focusses on one classification of assets each year.</p> <p><b>Risk</b> – There is a risk that asset valuations move by a significant value between formal valuation review dates, and this results in a material misstatement to the non-current asset valuations on the Balance Sheet.</p>	<p>The council review their revaluation programme and take a cyclical approach which would involve annual revaluations of a proportion of each class of non-current assets. This will provide management with assurance that all classes of non-current asset valuations on the balance sheet remain appropriate every year.</p> <p><a href="#">Exhibit 2 – Recommendation 1</a></p>	<p>Management had already agreed the proposed change in approach for future years in principle following discussions between Finance &amp; ICT and Estates colleagues as part of the 2022/23 Accounts closure process. Preliminary plans for asset valuations to be undertaken on this approach are already being made by the Estates service.</p> <p>Interim Financial Strategy and Accounting Manager March 2024</p>
<p><b>2. Asset register – fully depreciated assets</b></p> <p>Where assets are no longer in use they should be formally scrapped or sold. Assets continuing in use should be revalued and depreciated over the remaining useful economic life.</p> <p><b>Risk</b> – Depreciation charges are not being correctly made to user services.</p>	<p>Where fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life.</p> <p><a href="#">Exhibit 2 – Recommendation 2</a></p>	<p>A review of fully depreciated assets and appropriate revaluation and depreciation policy for continued use to be undertaken during 2023/24.</p> <p>Exchequer and Capital Finance Manager March 2024</p>

## 2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Strategic plan progress reporting</b></p> <p>The strategic framework and action plan to monitor progress against the strategic plan were approved in October 2022. The first report to elected members outlining progress against the Strategic Plan will be presented to elected members in October 2023.</p>	<p>The council should ensure arrangements are established to report regularly to elected members and the public on progress against the Strategic Plan 2022-27.</p>	<p>Arrangements for reporting regularly to elected members and the public on progress against the Strategic Plan will be set out in a report to the full Council in October 2023.</p> <p>Chief Executive December 2023</p>
<p><b>2. Performance targets should be specific and measurable</b></p> <p>Targets set out in the Strategic Plan Action Plan tend to be fairly high level, rather than specified numbers. Only two targets include a specific percentage.</p>	<p>The council should ensure the performance targets it sets are specific, measurable and aligned to the Council's benefit realisation model.</p>	<p>The performance targets for measuring progress against the key actions in the Strategic Plan will be included in future reports to elected members.</p> <p>Chief Executive December 2023</p>
<p><b>3. Performance reporting</b></p> <p>The council ensures a lot of performance information is made available on its website but does not have a document describing its overall approach to performance management. Performance information tends to be dispersed across a number of documents. It would be beneficial to have one source which helps users to form an overall view. The council has not yet reported progress against the priorities it set out in its Strategic Plan 2022-27, published in June 2022. There are a few instances where information on the council's performance webpages is not up-to-date.</p>	<p>The council is committed to publishing a performance management framework on its website and should ensure its performance information is linked to its new strategic priorities, is up-to-date, clearly set out and easily accessible.</p>	<p>Strengthened public performance reporting arrangements, building on existing practice and improving the availability of performance information will be developed over 2023/24. Initial work will focus on improving existing content with further work to explore opportunities for increased use of new digital technology.</p> <p>Chief Executive 2023/24</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>4. Providing access to the outcomes of consultation exercises</b></p> <p>Responses to consultation exercises run by the council are not easy to find on its website. The council's consultation webpage does not currently include links to the outcomes of each completed consultation.</p>	<p>The council should maximise the use of its website to provide a summary of the feedback received to consultations.</p>	<p>Strengthened website content relating to consultation activity will be developed using a new engagement platform purchased by the council in August 2023.</p> <p>Chief Executive 2023/24</p>
<p><b>5. Equality impact assessments</b></p> <p>The majority of equality impact assessments from the last 18 months were completed by the council after the policy or strategy concerned had been finalised. Information on how EQIAs are conducted on the council's website is out of date.</p>	<p>The council should ensure equality impact assessments are completed at an early stage to inform policy and strategy development. It should also place the most up-to-date information relating to EQIAs on its website.</p>	<p>Proposals to strengthen arrangements for systematic and routine completion of EQIAs were approved by the Council Management Team and Corporate Equalities Strategy Group in August 2023 and will be implemented over 2023/24.</p> <p>Chief Executive 2023/24</p>

## Follow-up of prior year recommendations

Issue/risk	Agreed management action/timing
<p><b>b/f 1. PPE Valuations</b></p> <p>The property valuer should introduce as part of the annual valuations, similar to the exercise carried out as part of the audit to documentation their consideration of those assets not subject to valuation in the year to demonstrate that the carrying amount does not differ significantly from the current value.</p>	<p><b>Closed</b></p> <p>The council's estates department have considered those assets not subject to valuation in the year. Where required, they have adjusted asset values that have exceeded the council's set materiality threshold.</p>
<p><b>b/f 2. Pensions</b></p> <p>The Council and actuary, in conjunction with Strathclyde Pension Fund managed by Glasgow City Council, should review its process for sharing information, particularly in relation to early retirements on enhanced/</p>	<p><b>Closed</b></p> <p>Finance officers met with the actuary earlier in the year to discuss the actuarial reports and the local circumstances to ensure that the actuaries report was reflective of East Ayrshire Council.</p>

Issue/risk	Agreed management action/timing
<p>unreduced terms to ensure that this information is passed to the actuary in a timely manner to help ensure that the liability disclosed in the accounts is as accurate as possible.</p>	
<p><b>b/f 3. Financial management: financial reporting</b></p> <p>While the reporting through East Ayrshire Performs provides a comprehensive analysis at each service level, we recommend that the Council considers whether reports could be enhanced further by including an overall summary table setting out the high-level financial position.</p>	<p><b>Closed</b></p> <p>East Ayrshire Performs includes a high-level financial summary position within the covering report including achievement of savings and reserve position as well as expanded summary within the main report, with the outturn report including additional full summary tables.</p>
<p><b>b/f 4. Financial sustainability: Medium-long term planning</b></p> <p>Further work is required to fully enhance the medium-term position, clearly incorporating the potential impact of the COVID-19 pandemic on future years financial position, as well as any medium-to-long term expected impacts as a result of the exit from the EU. This needs to be closely aligned with the work around recovery and renewal. Detailed plans need to be developed to identify how the Council plan to bridge this gap.</p>	<p><b>Closed</b></p> <p>The Strategic Plan was approved by Council in June 2022 and the wider framework approved in October 2022 which included the Medium-Term Financial Strategy has been approved by Council in October 2022. Updates to the strategy to update budgetary and financial assumptions will take place at specified times.</p>
<p><b>b/f 5 Financial Sustainability: Transformation</b></p> <p>The previous Head of Transformation has moved onto a new role and his post is currently being covered by the Depute Chief Executive, pending the planned review of the management structure by the new Chief Executive. It is important that as part of that review, consideration is given to the transformation and recover and renewal programme management arrangements and the associated resources available to support this. This is particularly important to ensure that the transformation change is implemented at pace, with the relevant specialist support.</p>	<p><b>Closed</b></p> <p>The Project Management Office has been established. The PMO has been resourced and has an approved workplan in place.</p>

Issue/risk	Agreed management action/timing
<p><b>b/f 6 Financial Sustainability: Transformation</b></p> <p>Regular reporting is provided to elected member on the savings achieved from the transformation work through East Ayrshire performs. The Action Plans also report progress on each activity. However, it currently does not require the level of detail we would expect to monitor this effectively. A comprehensive benefits tracker therefore should be considered to capture all the data required to demonstrate whether the intended outcomes of each project have been achieved, beyond the financial savings.</p>	<p><b>See BV Action Plan Point 2</b></p> <p>The Programme Management Office has been established, as outlined at paragraph 114-115. Work is underway to develop an approach to benefit realisation.</p>
<p><b>b/f 7 Governance and Transparency: Monitoring of meeting attendance</b></p> <p>The Council should consider maintaining a central record of attendance to ensure that there is sufficient capacity across the various Committees of the Council.</p>	<p><b>Closed</b></p> <p>Following the Council elections in May 2022 membership of each committee was agreed. The Chief Governance Officer holds records of attendance for each Committee. As part of our review of governance we considered attendance across a number of committee meetings and concluded that elected member attendance levels at committees was appropriate. We did not note, any capacity issues for the committee meetings reviewed as part of our sample.</p>

# East Ayrshire Council

## 2022/23 Annual Audit Report

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