

Agenda

Thursday 12 October 2023, 9.30am
Audit Scotland offices, 102 West Port,
Edinburgh, and online via Microsoft Teams
503rd meeting of the Accounts Commission

1. **Apologies for absence**
 2. **Declaration of connections**
 3. **Order of business**
The Chair seeks approval of business, including proposing taking items 9 to 15 in private for the reasons set out on the agenda.
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Business requiring decisions in public

- | | |
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| 4. Minutes of meeting of 13 September 2023 | Secretary to the
Accounts Commission |
| 5. Best Value in South Ayrshire Council | Controller of Audit |
| 6. Strategic Alliance with Improvement Service: annual review | Policy Manager |
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Business for information in public

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| 7. Secretary's update report | Secretary to the
Accounts Commission |
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Any other public business

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| 8. Any other public business
The Chair will advise if there is any other public business to be considered by the Commission. | Chair |
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Business for information in private

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| 9. Auditor General for Scotland update | Auditor General for
Scotland |
| 10. Chair's update report | Chair |
| 11. Controller of Audit's update report | Controller of Audit |

Business requiring decisions in private

12. Best Value in South Ayrshire Council

[Item to be taken in private as it requires the Commission to consider confidential policy matters.]

Controller of Audit

13. Proposed new approach to future local government overview reporting

[Item to be taken in private as it requires the Commission to consider confidential policy matters.]

Executive Director of
PABV

14. 2024/25 Budget Proposals

[Item to be taken in private as it requires the Commission to consider confidential policy matters.]

Chief Operating Officer

Any other private business

15. Any other private business

[Item may be required if there are any confidential matters that require to be discussed out with the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.]

Minutes of previous meeting

Interim Secretary, Accounts Commission

Purpose

1. This paper presents for the Commission's approval the draft minutes of the previous meeting of the Commission along with a summary of matters arising from those minutes.

Recommendations

2. The Commission is asked to:
 - Approve the attached draft minute of its previous meeting.

Minutes

3. The minute of the previous meeting is in Appendix 1.
4. Members should note that the action tracker – available on the member SharePoint site and provided to members monthly – provides updates on progress from previous meetings.

Minutes

Wednesday 13 September 2023, 9.30am

Audit Scotland offices, 102 West Port, Edinburgh, and
online via Microsoft Teams

502nd meeting of the Accounts Commission

Present:

Ronnie Hinds (Interim Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Jennifer Henderson
Christine Lester
Tim McKay
Geraldine Wooley

In attendance:

Helena Gray, Controller of Audit
Kathrine Sibbald, Interim Secretary to the Commission
Mark Taylor, Audit Director, Performance Audit and Best Value (item 6)
Simon Ebbett, Communications Manager (item 11)
Carol Calder, Audit Director, Performance Audit and Best Value (item 12)
Adam Bullough, Audit Manager, Performance Audit and Best Value (item 12)
Christopher Holgate, Audit Officer, Performance Audit and Best Value (item 12)
Joanna Mansell, Communications Adviser (item 12)
Gemma Diamond, Director of Innovation and Transformation (item 13)
Nina Miller, Senior Auditor, Performance Audit and Best Value (item 13)
Paul O'Brien, Director of Quality and Professional Support (item 14)
Vicki Bibby, Chief Operating Officer (items 15 & 16)
Stuart Dennis, Corporate Finance Manager (item 16)

1. Apologies for absence

It was noted that apologies for absence had been received from Ruth MacLeod.

2. Declaration of connections

The following declarations of connection were noted:

- Malcolm Bell, in relation to item 12, as an elected council official between 2012 and 2022. His past employment was not a sufficiently material connection to the subject matter of the Controller of Audit's report to recuse himself.
- Sophie Flemig, in relation to item 13, due to direct employment with Cattnach. Her employment was not a sufficiently material connection to the subject matter of the Director of Innovation and Transformation report to recuse herself.

- Geraldine Wooley highlighted her membership of Royal Institution of Chartered Surveyors (RICS) in relation to any following discussions around Reinforced autoclaved aerated concrete (RAAC) or building control.

3. Order of business

It was agreed that the following items be considered in private:

- Items 9 to 17, as they required the Commission to consider confidential policy matters.

4. Minutes of meeting of 10 August 2023

The Commission considered a report by the Secretary presenting the minutes of the meeting of 10 August 2023, including a summary of business arising from those minutes.

Tim McKay asked for an update on any Commission response to the consultation on councillor remuneration (which had been raised in relation to the Secretary's report at the previous meeting). Kathrine Sibbald advised that following a survey of Scottish councillors in June, there is no plan for a wider consultation, but the Chair of the Scottish Local Authority Remuneration Committee (SLARC) had offered to arrange for SLARC members to meet the Local Services team within Performance Audit and Best Value (PABV) and any interested Commission members, who should advise the Secretary of their interest.

With no further comments made, the minutes of the meeting were approved as a correct record.

5. Minutes of August 2023 committee meetings

The Commission considered a report by the Interim Secretary presenting the minutes of the meetings of the Commission's committees of 24 August 2023 including a summary of business arising from those minutes.

Following discussion, the Commission approved the draft minutes of the Committees.

6. Strategy and work programme: Work programme update - September 2023

The Commission considered a report by the Executive Director of PABV providing an update on the joint Auditor General for Scotland (AGS) and Accounts Commission work programme.

During discussion,

- Mark Taylor advised members that following discussion at the August Performance Audit Committee (PAC) meeting it was proposed that five new products be added to the work programme. Commission members were reassured there is adequate capacity to deliver the current work programme and welcomed the additional cost information as valuable context for their decisions. It was discussed there would be flexibility in the work programme with limited headroom available in 2023/24 and more in 2024/25.
- Commission members acknowledged that adding further products during the remainder of 2023/24 would realistically result in substitution of a current product. Any such decisions would be made by the Accounts Commission.

- In relation to Slide 6: Climate change – Sustainable Transport, Sophie Flemig suggested that the scope of the audit, currently due to be focused on 20-minute neighbourhoods, should be widened to consider transport strategies more broadly. Mark Taylor advised that the update to the Commission focused on the ‘local’ aspect of this proposed addition, and that the work was expected to include the area suggested. This would be further developed as the audit team continued its scoping work.
- Christine Lester queried the title of the Social Care blog scheduled for Autumn 2023, suggesting it could be titled ‘Community Health and Social Care’ for consideration as work on preparing the blog continued.

Action: Executive Director of PABV

- Christine Lester discussed the proposed performance audit on ‘Primary Care’ and queried whether it should be a joint product between the AGS (Auditor General for Scotland) and Accounts Commission. Following discussion, Mark Taylor advised the planned work was expected to focus on the NHS and GP contracts. The title and coverage of this audit would be refined as scoping work continued.

Action: Executive Director of PABV

- Additional support for learning (Joint) - Nichola Brown expressed an interest in being involved with this product and suggested ‘lived experience’ should be incorporated into the scope, particularly to provide qualitative evidence where there is limited data. Mark Taylor agreed to evaluate this, however he advised that there may be a trade-off of depth versus speed, to highlight the issues, then consider any, more detailed, follow-up work.

Following discussion, the Commission:

- Noted the progress delivering the work programme from June 2023 to August 2023.
- Noted the planned products up to March 2024.
- Agreed the additions proposed to the programme, subject to today’s discussions, agreeing that it is flexible and can be revisited as part of future work programme updates.
- Agreed to an offline discussion around the sequencing and impact of reports, stemming from the Chair’s query of the timing of successive Climate Change outputs.

7. Secretary’s update report

The Commission considered a report by the Interim Secretary providing an update on significant recent activity relating to local government.

During discussion,

- In relation to paragraphs 34 and 35 regarding financial issues facing councils in England, the Controller of Audit advised that for Scottish councils the Financial Audit & Assurance Committee (FAAC) would continue to monitor risks through the Current Issues report. The Chair commented the problems in England and Wales are multi-factorial and that assurance can be taken from the Scottish public audit model and cyclical audit delivered in Scotland. It was agreed that the Best Value Legacy Report should be used to frame this reassurance publicly.

- In relation to paragraphs 8-12 regarding Scottish Government funding announcements, Sheila Gunn commented that it was welcome that funding is being allocated. However, she highlighted that the actions being undertaken are in danger of not recognising the scale of the problem, and in particular how actions in one area can have impacts in other areas. It was agreed that the Commission would continue to monitor this.
- Regarding paragraph 16 concerning funding for advice agencies, Geraldine Wooley queried where responsibility lies for auditing this funding and how it will interact with existing crisis grants. The Controller of Audit agreed to feed back to the Commission.

Action: Interim Secretary

- Regarding paragraph 31 on a report on building safety in Wales, Gillian Wooley commented on further issues becoming known, the difficulties surrounding qualified surveyors' capacity, and the impact not only in terms of building maintenance but also disruption to the services provided within them. It was suggested that less high-profile services and professions could potentially be included in a Workforce Planning audit. Ronnie Hinds agreed and suggested this could be incorporated into the refreshed Overview Reporting approach, in line with the Commission's intention to place more emphasis on services and functions that have received less focus in recent years.
- In relation to the Democracy Matters consultation referred to in paragraphs 25 and 46, Sophie Flemig advised that the reviews should be forward-thinking and have an emphasis on involving 'lived experience' and stated that there was a real opportunity for the Commission to be 'visible' in this area. Carol Calder confirmed that Accounts Commission representatives and the Executive Director of PABV have been involved in initial conversations with the Local Government, Housing and Planning Committee in relation to Democracy Matters.

Action: Executive Director of PABV

Following discussion, the Commission:

- Noted the report.
- Agreed that the Executive Director of PABV consider responses to the two consultations outlined within the report, and draft responses as appropriate.

8. Any other public business

The Chair, having advised that there was no business for this item, closed the public part of the meeting.

9. Chair's update report

The Commission considered a report by the Chair providing an update on recent and upcoming activity.

Following discussion, the Commission:

- Noted the report.

10. Controller of Audit's update report

The Commission considered a report by the Controller of Audit providing an update on recent and upcoming activity.

During discussion,

- Helena Gray agreed to share the key messages the Commission previously agreed on Best Value for Commission members attending upcoming SOLACE (Society of Local Authority Chief Executives) and COSLA (Convention of Scottish Local Authorities)

Action: Controller of Audit

- Helena Gray discussed the recent workshop with the Improvement service (IS) on the Local Government Blueprint and the particular call to action on the Crerar review. It was advised that the workshop allowed for wide-ranging collaborative discussions on Best Value reporting and the role of audit in scrutiny and development.

Following discussion, the Commission:

- Noted the report.

11. 2023 Local Government survey

The Commission considered an update by the Communications Manager on the 2023 Local Government survey.

During discussion,

- Members noted the survey findings, discussed the methodological approach undertaken and agreed that as part of a wider picture of intelligence the cost involved seemed reasonable. It was agreed that it would be beneficial to continue participation to provide some trend analysis for the Commission to consider in future years.
- It was agreed that Simon Ebbett would provide more narrative on the value of this survey and consider ways to get MSP feedback/opinions about the Commission, with this organisation's MSP survey being one of the options, through the update paper on stakeholder analysis due to be presented to the Commission in November. The Commission also advised that a request should be made to include council Directors of Finance in future editions of the Local Government survey.

Action: Communications Manager

- Members discussed comments in the survey from one Chief Executive that the Commission was *'making overtures' about becoming more a regulator of local government*. Ronnie Hinds confirmed this had been allayed at a recent meeting with COSLA and will be best managed through engagement with councils rather than directly commented on.
- It was agreed that due to the nature of the Chair's position, direct engagement with senior council representatives is essential and should be maintained. However, it is important to ensure the Chair is representing and speaking on behalf of the Commission rather than giving individual opinions.

Following discussion, members:

- Noted the findings of the report.
- Noted plans to hold further discussion in November about the wider approach to stakeholder insights, including whether to continue participating in this survey in future.
- Agreed to use upcoming Best Value reports to increase awareness and impact through face-to-face meetings with councils.

12. Best Value Legacy Report

The Commission considered an update by the Controller of Audit and the Audit Director, Performance Audit and Best Value on the Best Value Legacy Report.

During discussion,

- The Controller of Audit thanked Best Value Working Group (BVWG) members for their input and suggested amendments to the report.
- Commission members suggested that it may be beneficial to include a section outlining a case study or comments from councils or individuals who have used the reports to deliver change. Andrew Burns suggested a member of the Public Audit Committee, such as the Convener, may be appropriate to comment to assist promotion. Nichola Brown advised a launch event including speakers could provide a vehicle to reach communities and provide impact. The Audit Team and Communications Advisor agreed to evaluate and respond on promotional activity around the report, specifically how it will be promoted to communities.

Action: Communications Adviser & Audit Team

- Joanna Mansell advised the Commission that feedback and messages from council representatives relating to previous Best Value reports have been compiled and have been incorporated into the Best Value blog being prepared by Geraldine Wooley. The blog will also emphasise the particular importance of the Commission's Best Value work in the current financial and local government context. Additionally, it was confirmed that the IS and COSLA have been approached and lined up to assist in promotion of the report.
- The Commission agreed the 'About this report' section should be reworked to incorporate the theme of continuous improvement and suggested including the schedule for further Best Value work coming to the Commission.

Following discussion, it was agreed:

- The Audit Team and Controller of Audit will amend the report's title to have more impact.
- The Audit Team will consider how best to add in the statutory meaning of Best Value, potentially as an appendix to paragraph 9, and to ensure the key message in paragraph 3 – that Best Value has led to improvement in Scottish local government – is emphasised as the leading message in communications.
- Commission members delegated authority to the Chair to sign off amendments and the final report.

13. Consultation response: Human Rights Bill

The Commission considered an update by the Director of Innovation and Transformation on the draft response to the Human Rights Bill consultation.

During discussion, Accounts Commission members agreed it is appropriate to submit a joint response to the consultation, and for that response to be in the form of a letter emphasising general points (with reference to the consultation questions) rather than responding to each consultation question in turn.

Members also discussed the potential to comment further on the accountability and scrutiny arrangements and which body would be responsible. In addition, Sophie Flemig suggested Christine Bell as a potential future guest speaker at a Commission meeting – Christine Bell will be added to the list of potential speakers to invite.

Action: Policy Manager to Accounts Commission

Following discussion,

- Gemma Diamond agreed to update the Accounts Commission periodically on developments regarding the Bill.

Action: Director of Innovation and Transformation

- Agreed to the recommendations outlined in paragraph 8.

14. Guidance on planning 2023/24 annual audits

The Commission considered an update by the Director of Quality and Support on the Guidance on planning 2023/24 annual audits.

During discussion,

- Paul O'Brien provided reassurance to Commission Members around audit delivery dates and advising that audit providers will continue to prioritise audit quality over meeting target submission dates. It was advised this was in line with FRC (Financial Reporting Council) commentary. It was advised delays in audit delivery are attributable to timings delays stemming from the pandemic.
- It was advised that audit delivery by 30 September 2024 would not be 100 percent, rather auditors would look to make positive progress on delivery from the 2022/23 audits, including minimising the length of any delays in completing audits beyond that date. It was also noted that this was not a 'Pass or Fail' measure but a guide as to whether audits meet the statutory obligation to be 'timely'.
- Paul O'Brien responded to Malcolm Bell's query around the amount below which errors are considered to be trivial explained on page 9 of the draft Guidance, advising auditors will continue to calculate their own thresholds as usual practice in the absence of a formal cap, previously £250,000. Para 81 - The Controller of Audit responded to a query from Tim McKay that lessons learnt from the 2022/23 thematic work have already fed into the draft of the planning guidance and any further lessons will be available to inform future work.
- The Commission discussed the thematic work for 2023/24 about workforce innovation - Jennifer Henderson asked if the use of contingency workers formed part of the guidance.

Carol Calder agreed to look at the supplementary guidance issued to auditors to incorporate contingency workers.

Action: Audit Director, PABV

Following discussion, Commission members:

- Approved the draft guidance, ahead of consultation with audit providers.
- Agreed for the Secretary to look at reintroducing firm attendance to FAAC meetings.
- Delegated authority to the Chair to sign off amendments and final guidance.

15. Change Programme - update

The Commission considered an update by the Chief Operating Officer (COO) on the Change Programme.

During discussion,

- Vicki Bibby advised audit delivery rates would be presented as part of the Audit Scotland performance update due at the October Commission meeting. It was also advised although the PWF (Partnership Working Framework) was omitted from today's agenda that the Commission Members can take reassurance that partnership working is evident.
- Helena Gray advised the business case referred to in paragraph 33 will be discussed at the next meeting of the Communication Working Group in October.
- Commission Members endorsed the use of the new audio/visual (AV) technology in the EH1/2 meeting rooms for Accounts Commission meetings, subject to further testing.

Following discussion,

- Commission members noted the report.
- It was agreed the incoming interim Secretary would co-author the next edition of this report with the COO.
- The Commission agreed for the next update report to be presented in 2024 following the recruitment of a new Chair, to ensure the change programme still reflects the interests of the Commission.

16. Budget and Resources - update

The Commission considered an update by the COO and the Corporate Finance Manager on Budget and Resourcing.

During discussion,

- Vicki Bibby advised that although it is the Audit Scotland Board that approves the budget that is submitted to the Scottish Commission for Public Audit (SCPA), it is the first time the Accounts Commission representatives will have input to the draft budget. Andrew Burns and Jennifer Henderson have agreed to represent the Commission's interests in this, alongside the Chair.

- Vicki Bibby confirmed that any underspend could not be kept by Audit Scotland and carried over, as such any slippage in spend would be required to be built into the next budget submission.
- Commission Members discussed whether the communication line in the budget would be removed after the installation of the new AV/Visual technology. It was advised that the system is currently being evaluated by Audit Scotland and Commission Support colleagues. The cost for additional livestreaming support will not be required if the new system is acceptable.

Following discussion,

- The Chair advised Members that the relationship with the SCPA may require some attention and the Commission should adopt a pro-active stance in explaining value for money.
- The Chair asked members to recognise this update as an element of Partnership Working in progress.
- Approved the next steps outlined in paragraph 34.

17. Any other private business

The Chair placed on record his thanks to outgoing Accounts Commission Members Sophie Flemig, Geraldine Wooley, Sheila Gunn and Tim McKay (Deputy Chair), whose terms will end at the end of September 2023.

The Deputy Chair also communicated the Accounts Commissions members thanks to former Secretary Paul Reilly and Executive Assistant Jillian Elgin who have now left their roles.

The Chair, having advised that there was no further business for this item, closed the meeting.

18. Close of meeting

The meeting closed at 12.45 pm.

Best Value in South Ayrshire Council

Secretary to Accounts Commission &
Communications Advisor

Purpose

1. The purpose of this report is to introduce, for the Commission's consideration, the Controller of Audit's report on Best Value in South Ayrshire Council, alongside the associated publication arrangements.

Recommendations

2. The Commission is invited to:
 - Consider the Controller of Audit's report.
 - Approve the proposed publication arrangements.
 - Decide how it wishes to proceed.

Background

3. The report draws the Commission's attention to the findings set out in South Ayrshire Council's 2022/23 Annual Audit Report (AAR) on how effectively the council demonstrates Best Value through continuous improvement in how it delivers its strategic priorities.
4. The Commission's reporting on Best Value has changed. Best Value audit work is now fully integrated into annual financial audit work to increase its impact and efficiency and reduce the scrutiny burden on councils. Best Value work is reported in Annual Audit Reports including annual risk-based, follow-up and thematic Best Value work, providing judgements on the pace and depth of continuous improvements and service performance. This work provides the Commission with the opportunity to offer a national overview of key aspects of Best Value, as well as supporting accountability and improvement within individual councils to generate greater impact from the Best Value audit work. The theme chosen by the Accounts Commission for 2022/23 for its annual Best Value thematic work was Leadership of the development of new strategic priorities.
5. At least once during the current five-year audit appointment the Controller of Audit is required to report to the Commission on Best Value in each council. These reports are based on the Best Value audit findings reported in AARs. They replace the Best Value Assurance Reports that were published on all councils between 2017-22.
6. The results of the Best Value thematic work at South Ayrshire Council were presented to its Audit and Governance Panel, in a management report, on 28 June 2023. Findings from the BV thematic report are included in the AAR. The appointed auditor is responsible for preparing the AAR and presenting it to those charged with governance at the council. South Ayrshire Council's AAR was presented to its Audit and Governance Panel on 27 September 2023.

7. The Commission intends to publish a national thematic report on leadership of strategic priorities, drawing on the findings of Best Value thematic work across all 32 councils, in 2024.

The Controller of Audit's report

8. The report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
9. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - The accounts of local authorities audited under the Act;
 - Any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - The performance by a local authority of their statutory duties in relation to best value and community planning.
10. A copy of the report was sent to South Ayrshire Council on 4 October by the Controller of Audit, the same date it was issued to the Commission. The council has been advised that it is obliged to supply a copy of the report and the AAR on which it is based to each member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to South Ayrshire Council it is effectively in the public domain.

Procedure

11. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
12. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
13. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the AAR, with a focus on Best Value. This is done in the public part of the Commission meeting.
14. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform South Ayrshire Council of its decision on the same day as the Accounts Commission meeting which the Commission does before making the decision public.

- 15.** The Commission asks the council for a meeting, preferably in the period between the Commission publishing findings and the council considering them, to do the following:
- for Commission members to hear what the council thinks of their findings
 - to discuss what the council will do with the findings
 - to confirm any next steps
 - to review the audit process.
- 16.** The council is required by statute to do the following:
- consider the findings of the Commission within three months of receiving them
 - publish in a newspaper circulating in the local area a notice stating the time and place of the meeting, indicating that it is to be held to consider the findings of the Commission and describing the nature of those findings (at least seven clear days before the meeting)
 - after the council has met:
 - notify the Commission of any decisions made
 - publish in a newspaper circulating in the local area a notice containing a summary, approved by the Commission, of the Council's decision.

Publication arrangements

Background

- 17.** We took a structured approach to the way in which Best Value Assurance Reports were previously communicated. This included a newsletter to local stakeholders, a video or animation communicating key messages, alongside a news release and significant engagement on social media, in particular with key local groups.
- 18.** The new approach to auditing Best Value, and more broadly the revised approach to local government reporting, has given us the opportunity to refresh, streamline and ensure greater consistency in our approach to communications. This is detailed below.

Communications principles

- 19.** Whilst the main elements of our communication approach will continue as above, we are currently developing design templates to support the communication of the Commission's new Best Value reports. This will help create a stronger identity for the Accounts Commission's new approach to Best Value reporting, by standardising our social media outputs, news release and animation, helping reduce design time and ensuring greater efficiency.
- 20.** Alongside reviewing the impact of our specific communications activity for each report, we will carry out a comparative review of our communications after four Best Value reports have been published.

Outputs and engagement

21. The main communications outputs for each of the new Best Value reports will include:

- Short animation – key messages for local communities from the annual audit report
- News release – based on the Account Commission’s findings, including a quote from the Chair of the Accounts Commission
- Social media – detailed list of key groups to tag within each council area, including community councils, tenant groups, third sector and local third sector interfaces.

22. In addition, we will carry out the following communications and engagement:

- Local media – advance engagement with local media about the report to increase the potential for interviews
- Local third sector interface – share messages, animation and images with each of the local third sector interfaces, provide support to share across their wide-ranging contact groups
- Ongoing engagement with the local council.

23. The main audiences for our communications are:

- Council and council staff
- Local communities
- Third sector groups
- Local and specialist media
- COSLA and the Improvement Service
- Other councils – to share best practice.

Conclusion

24. The Commission is invited to:

- consider the Controller of Audit’s statutory report on Best Value in South Ayrshire Council
- approve the proposed publication arrangements
- decide in private how it wishes to proceed.

Best Value

South Ayrshire Council



ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
October 2023

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Accessibility

You can find out more and read this report using assistive technology on our [website](#).

For information on our accessibility principles, please visit: www.audit-scotland.gov.uk/accessibility.

Controller of Audit report

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973.
2. This report draws the Commission's attention to the findings set out in the [2022/23 Annual Audit Report](#) (AAR) ([Appendix 1](#)), including the Best Value thematic report, on how effectively South Ayrshire Council demonstrates Best Value ([Appendix 2](#)) through continuous improvement in how it delivers its strategic priorities. It reflects the new audit approach to Best Value whereby it is fully integrated with the annual audit at each Council and includes detailed work each year focusing on a national theme.
3. South Ayrshire approved a new Council Plan 2023–28 in March 2023 which sets out the council's vision, broad priorities and high-level outcomes going forward. Previous engagement was used to inform the development of the new Council Plan priorities and comments from citizens were sought on those proposed priorities. The council approved a new structure in September 2022 which included splitting the Deputy Chief Executive/Director of Education role, creating an additional Director with responsibility for Strategic Change and Communities and including a focus on strategic change within the remits of Assistant Directors.

Decisive and focused leadership is now needed if the council is to achieve its priorities and improve outcomes for citizens. Over the course of the audit appointment auditors will monitor the effectiveness of this revised structure.

4. The council has made progress with the six recommendations made in its [2021 Best Value Assurance Report](#) (2021 BVAR), but the pace of improvement has been slow in two key areas: performance reporting and self-evaluation. The AAR notes that it did not assign performance targets to key priorities, that in 2022/23 performance reports only reported on indicators that could be reported quarterly and that the annual performance report considered by members in December 2022 was focused on areas of positive performance, with less information on areas of poorer performance and how they might be addressed. The lack of targets has made it difficult to ascertain progress against priorities. The AAR also highlights that while self-evaluation has taken

place in some services, the council does not have a corporate approach to self-evaluation.

Plans to reintroduce a corporate self-evaluation tool need to be progressed.

5. Effective reporting by the council against the new Council Plan on progress against target outcomes, to deliver priorities, is now key. In June 2023, members approved an action plan that shows the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact.

The first performance report on the new Council Plan is currently scheduled for November 2023 and auditors will report on the effectiveness of this framework in future years.

6. Public Performance reporting also needs to improve. A recent report contained errors which have now been corrected. The council has committed to reviewing the presentation of future reports to better link them to its own strategic priorities.

The council is in the process of updating its dedicated public performance reporting webpage. This is required to ensure compliance with the Statutory Performance Information Direction.

7. The council has in place medium and longer-term financial plans setting out how it will deploy its financial resources to achieve its priorities, and the likely challenges to be faced in the coming years. The council's Medium-Term Financial Plan 2023–24 to 2025–26 outlines an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26.

The council is due to present its updated medium to long-term financial plan to members towards the end of 2023. This should be transparent about the scale of service demand and pressures and demonstrate how the council's finances align with the priorities set out in the new Council Plan.

8. The 2021 BVAR noted that relative to other councils, South Ayrshire's approach to transformation has been slow and inconsistent, lacking drive and urgency. In June 2023, members agreed to a refocussing of the programme, reducing the number of projects from 35 to 14. This programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish

the expected cashable benefits and baseline activity for the 14 projects contained in the change programme.

Achievement of the refocussed strategic change programme is key to future service delivery and financial sustainability. The council should calculate the expected cashable benefits and ensure the changes described in paragraph 3 result in the required leadership focus to deliver the required transformation.

9. The council is demonstrating good practice by setting a carbon budget. Cross-cutting challenges such as sustainability, climate change and equality are reflected in the Council Plan and are being included in a new integrated impact assessment by September 2023, but it is unclear how progress will be measured. The council is planning to review how its climate change team is resourced. As at September 2023 the team had two vacant posts.

The council will need to consider the skills and capacity required to deliver its integrated impact assessments as well as set measures to monitor progress in reducing inequalities and addressing climate change.

10. I look forward to seeing the progress the council makes in taking forward the recommendations from the Best Value thematic report outlined in Appendix 1 of the AAR in due course.

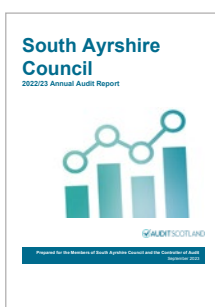
Appendix 1.

2022/23 Annual Audit Report

This report summarises the findings from the 2022/23 annual audit of South Ayrshire Council.

This Annual Audit Report comprises:

- significant matters arising from the 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.



2022/23 Annual Audit Report South Ayrshire Council September 2023



Appendix 2.

Best Value

[The Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

South Ayrshire Council



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South Ayrshire Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of South Ayrshire Council and the Controller of Audit
September 2023

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Key messages

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. The accounts show a true and fair view of the council's financial position.
- 2 We have identified a number of errors in the accounting for property, plant, and equipment. While the errors identified have been corrected in the Annual Accounts, the council needs to review its procedures in accounting for these assets.

Best Value

- 3 A number of improvements are required to demonstrate achievement of Best Value. The council has made progress with the recommendations made in its [2021 Best Value Assurance Report](#), but the pace of improvement has been slow in some key areas. In particular, effective reporting on progress against target outcomes, to deliver council priorities, is now key to the council demonstrating Best Value.

Vision and leadership

- 4 The Council Plan 2018-22 was extended to March 2023, to allow the new administration to set its strategic priorities.
- 5 The Council Plan 2023-28, approved in March 2023, sets out the council's vision, broad priorities, and high-level outcomes going forward. The council's leadership, elected members, and senior officers, recognise that decisive and focussed leadership is now needed if it is to achieve its priorities and improve outcomes for citizens.

Financial management

- 6 The council operated within budget in 2022/23.
- 7 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 sustainability

- 8 The council approved a balanced budget for 2023/24 in March 2023. The council has in place medium and longer-term financial plans. At their next review date these should be aligned with the priorities set out in the new Council Plan.
- 9 The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 shows an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26.
- 10 The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme.

Governance

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

Use of resources to improve outcomes

- 12 The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this.
- 13 The council's overall performance per national benchmarking shows an improving position over time. However, while 51% of national indicators are in the top two quartiles of councils, this has fallen from 57%, showing the rate of service improvement has slowed compared to others.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of South Ayrshire Council (the council). The scope of the audit was set out in an [Annual Audit Plan](#) presented to the 22 March 2023 meeting of the Audit and Governance Panel. 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 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 South 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, 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 Audit and Governance Panel 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 £327,650 (including £1,100 for the audit of the charitable trusts administered by the council) 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.

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.

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.

We have identified a number of errors in the accounting for property, plant, and equipment. While the errors identified have been corrected in the Annual Accounts, the council needs to review its procedures in accounting for these assets.

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 year ended 31 March 2023 were approved by the Audit and Governance Panel on 27 September 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 28 June 2023. The Annual Accounts submitted for audit were of a good standard and supporting working papers were reasonable. 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
Overall materiality: 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.	£12.270 million	£12.280 million
Performance materiality: 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 65% of overall materiality.	£7.975 million	£7.980 million
Reporting threshold: 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

Identified misstatements of £33.856 million were adjusted for in the Annual Accounts

17. We identified misstatements, including misclassifications, with a gross value of £33.856 million in the unaudited Annual Accounts. As the total was above our performance materiality level, we considered the need to revise our audit approach.

18. Management have now adjusted the Annual Accounts to correct all the misstatements. Further details of these adjustments are included in [exhibit 2](#) and [paragraph 24](#).

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 few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Exhibit 2

Significant findings and key audit matters from the audit of the Annual Accounts

Issue	Resolution
<p>1. Accounting for property, plant, and equipment</p> <p>Our testing of the council's property, plant and equipment identified the following issues:</p> <ul style="list-style-type: none"> • There were 624 assets with a net book value of £26 million that had not been covered by the council's 5-year revaluation programme. The council has confirmed these will be included in the 2023/24 valuation programme. • An adjustment of £4.029 million was required for a duplicate asset included in the valuations. • The total revaluation of 7 assets was added to the revaluation reserve, instead of the difference between revaluation and cost. This resulted in a gross error of £7.164 million and a net adjustment of £2.552 million to the unusable reserves. • A depreciation charge was omitted from 80 assets. This resulted in an adjustment of £3.693 million. • Two assets had a negative net book value. This resulted in an adjustment of £1.073 million to bring them to zero. • 54 assets that had been disposed of in prior years remained on the fixed asset register. This resulted in an adjustment of £0.955 million. • Valuations relating to 135 HRA lock ups had not been appropriately updated. This resulted in an adjustment of £1.327 million. 	<p>Management have corrected the misstatements in the audited Annual Accounts. These adjustments resulted in a net decrease to the long-term assets balance of £6.379 million with a corresponding decrease in unusable reserves. There was also a reduction of £6.379 million in total comprehensive income.</p> <p>In response to the issues, we undertook additional audit testing across a range of asset categories. No further misstatements were identified.</p> <p>Improvements need to be made in the accounting for these assets in 2023/24.</p> <p>Recommendation 1</p> <p>(See Appendix 1, action plan)</p>

Issue	Resolution
<p>2. Pension balance</p> <p>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.</p> <p>The council is a 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.</p> <p>The council's 2022/23 valuation showed an asset of £265.031 million (2021/22: liability of £17.001 million). As required by accounting standards, the asset shown in the council's Balance Sheet has been limited to £22.566 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.</p>	<p>This is included for information due to the large year-on year movement in the pension balance.</p> <p>We are satisfied that the council's disclosure, and accounting treatment, of its pension balance complies with required accounting practices.</p>

Source: Audit Scotland

Other matters identified from our audit of the Annual Accounts

24. In addition to our findings in [exhibit 2](#) above, the following adjustments to the Annual Accounts were identified through our audit testing:

- Group accounts:** In the consolidation of group accounts, the prior year figures were used in error for two entities. Within the Group Comprehensive Income and Expenditure Statement this resulted in the group deficit on the provision of services increasing by £12.299 million to £34.804 million with a corresponding increase in the group other comprehensive income line (from £67.582 million to £79.811 million). There was no impact on the group total comprehensive income for 2022/23.
- Financial instruments:** The carrying amount of borrowings and investments were understated in the unaudited accounts due to accrued interest being classified within the creditors balance. This resulted in an increase in borrowing of £2.939 million, investments of £0.377 million and

a corresponding decrease in creditors. There was no bottom-line impact on the Balance Sheet.

25. Management have made the appropriate adjustments for both above points.

The council's revaluation approach will be revised for 2023/24

26. There is a significant degree of subjectivity in the land and buildings valuations, these represent an increased risk of material misstatement in the financial statements. This risk has increased in recent years due to the volatility in a range of factors impacting on land and property valuations, including market prices, and building costs.

27. To ensure the accuracy of land and property valuations within the Annual Accounts, management obtain expert advice from appropriately qualified staff. All land and buildings are revalued over a 5-year rolling programme. The use of a rolling revaluation programme is an accepted practice permitted by the Code.

28. Each year the land and buildings of a different class of asset are revalued. This can lead to significant movements in value between valuations of some classes of large assets only subject to revaluation every five years.

29. As part of our audit work this year, we identified several assets which had not been revalued in over 5 years. A full assessment of the asset register was completed by the council's estates team, and it was identified that 624 assets had been erroneously omitted from the council's 5-year rolling programme. The council confirmed these will be included in the 2023/24 valuation programme.

30. Management recognise that the current approach can lead to uneven valuation movements arising each year. They have agreed to consider a matrix approach to valuations through valuing a sample of assets across different class of assets each year. This will identify any indication of material movements across the class of assets that may require the full class to be revalued.

Recommendation 2

The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.

Our audit work responded to the risks of material misstatement we identified in the Annual Accounts

31. 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	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</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>	<p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assess the design and implementation of controls over journal entry processing.</p> <p>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.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <p>Focussed testing of accounting accruals and prepayments</p>	<p>Results: Our critical assessment of the council's arrangements for identifying and disclosing related party transactions found arrangements in place were satisfactory.</p> <p>We assessed the design and implementation of controls over journal entry processing. Paragraph 85 identifies an opportunity to strengthen the controls over journals.</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 tested accruals and prepayments and confirmed that income and expenditure was properly accounted for in the financial year.</p> <p>Conclusion: No instances of management override of controls were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>2. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</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 £640 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 are revalued on a five-year rolling basis. 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>Risk: Valuations of these assets are materially misstated.</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>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.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>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.</p> <p>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.</p>	<p>Results: We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's 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 an appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment that land and buildings not 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 that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluations.</p>

32. 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

33. The council’s Management Commentary that accompanies the Annual Accounts explains how the council has performed against its 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.

34. In our view, the 2022/23 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 and provides a clear link to the figures in the financial statements.

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

35. 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.

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

36. 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.

37. 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 are unmodified

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

- South Ayrshire Charitable Trust: charity number - SC045677
- South Ayrshire Council Charitable Trusts: charity number - SC025088
- McKechnie Trust: charity number - SC012759

39. 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.

40. 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.

41. Our duties as auditors of the charities administered by South 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 Trustees' 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).

42. We have given an unqualified opinion on the Annual Accounts of the three charities administered by the council and have no matters to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*).

2. Best Value

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

Conclusions

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

The Council Plan 2018-22 was extended to March 2023. The council did not effectively measure and report its performance against targets for the priorities in this plan.

The Council Plan 2023-28, approved in March 2023, sets out the council's vision, broad priorities, and high-level outcomes going forward. The council's leadership, elected members, and senior officers, recognise that decisive and focussed leadership is now needed if it is to achieve its priorities and improve outcomes for citizens.

Plans to reintroduce a corporate self-evaluation tool also need to be progressed.

Best Value work in 2022/23

43. 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](#).

44. 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.

45. 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

46. This year auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work were [reported](#) to the council's elected members at the June 2023 Audit and Governance Panel.

47. The key findings in this [report](#) were as follows:

- 1** The March 2023, Council Plan 2023-28 sets out the council's vision, broad priorities, and high-level outcomes. To achieve the council's priorities the leadership of the council, senior officers, and elected members, are committed to increasing the pace of change in the council.
- 2** Following the local government elections there has been a change in the council's administration and changes made to its political decision-making structure. In September 2022, there was a restructuring of the Corporate Leadership Team, and a number of changes in senior officer posts over the last year. The current Chief Executive is retiring in the autumn which will bring further change. See [paragraphs 120 to 124](#) for further information.
- 3** The [2021 Best Value Assurance Report](#) said that the council's pace of improvement needed to increase in some key Best Value areas. The council made progress with recommendations made in the report but failed to effectively measure its performance against targets for the priorities in the previous council plan to March 2023. Senior officers acknowledge this and are now focussed on developing a framework to support delivery of the new Council Plan.
- 4** In June 2023, the Council is due to discuss and approve service plans, which demonstrate how the council aims to deliver on its priorities and align its resources to these. The plans include service performance targets that will be monitored.
- 5** A performance management framework to report progress against the Council Plan targets was discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023. See [paragraphs 52 to 60](#) for further information.
- 6** The results of prior consultation responses were used when developing the new Council Plan priorities. The council then sought comments from citizens on the proposed priorities.
- 7** To support community priorities the council has published two Place Plans for Ayr North and Girvan. Whilst community engagement took place, and priorities have been identified for other place plans, these have not yet been approved by members and published. The Council Plan says it is taking a place-based approach to planning services. These Place Plans therefore need to be published to demonstrate the focus for this approach.

- 8** The council approved a balanced budget for 2023/24 in March 2023 before the council's priorities were agreed. In future the council is to demonstrate in budget papers how it is aligned to the council's priorities. There is evidence of public consultation being reflected in the agreed budget. See [paragraphs 93 to 99](#) for further information.
- 9** The council has in place medium and longer-term financial plans which show an estimated gap of between £28.7 and £39.5 million by 2025/26. Given the significant financial challenges faced by the council, difficult decisions will need to be made by members on how resources are used and how services are delivered. See [paragraphs 100 to 110](#) for further information.
- 10** In October 2022 a Director of Strategic Change and Communities was appointed, whose remit includes overseeing the council's Strategic Change Programme. This is the focus for changing how services are delivered in the future. It was recognised that the current programme was unachievable and required refocus. In June 2023, a revised programme containing 11 projects is being considered by the Cabinet. Benefits tracking for each project has been developed. See [paragraphs 111 to 116](#) for further information.
- 11** There has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic. There is some self-evaluation across services but more needs to be done to challenge services across the council. Plans to reintroduce a corporate self-evaluation tool need to be progressed. See [paragraphs 61 to 63](#) for further information.
- 12** The council's own overall performance taken from national benchmarking data shows an improving position over time. At April 2023, 51% of national indicators were in the top two quartiles of Scottish councils, but this has fallen from 57%, showing that the pace of improvement has slowed compared to others. The council's self-evaluation should include understanding and reporting its performance in relation to other councils. See [paragraphs 144 to 149](#) for further information.
- 13** The South Ayrshire Community Planning Partnership Local Outcomes Improvement Plan (LOIP) is due to be refreshed with partners later in 2023. Alignment with the Council Plan is being considered as part of this.
- 14** In the Council Plan, the commitment to reducing inequalities is expressed through its reference to 'everyone' in the community benefitting from each outcome. Equalities is a cross cutting theme to be considered when decisions are made. A new Impact Assessment approach is under development. In September, the Cabinet is to consider a paper setting out how the council will measure its success in reducing inequalities.
- 15** Sustainability, climate change and biodiversity is reflected in the council plan's cross cutting themes. The council is demonstrating good practice by setting a carbon budget. However, it is unclear how progress will be monitored on the crosscutting theme.
- 48.** Elected members and senior officers recognise that decisive and focussed leadership is needed to deliver the priorities set out in the new plan, to improve the outcomes for citizens. In doing so, a number of improvements are required to demonstrate achievement of Best Value. Audit improvement recommendations were included in the thematic report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

The council has made progress with all the recommendations made in its 2021 Best Value Assurance Report, but the pace of improvement has been slow in some key areas

49. The [2021 Best Value Assurance Report](#) (2021 BVAR) for South Ayrshire Council was published in October 2021. It reported that “public services at South Ayrshire Council perform well and residents are satisfied with the services they receive. However, the council must move faster in changing services for the future.” It said that there had been limited progress on key aspects of Best Value and the council’s leadership needed to increase its ambition, pace, and focus to deliver improvements in these areas.

50. The 2021 BVAR contained six improvement recommendations. In response to these recommendations, the council approved an action plan in December 2021 drafted by the Best Value Member/Officer Working Group. Each action plan point included an agreed due date and owner. Since December 2021, quarterly updates on progress against the action plan have been reported to the Audit and Governance Panel. Each update to the Panel tracks progress against the planned actions and provides the latest detail on each. In the most recent update reported to the Panel in March 2023, management noted all actions as complete.

51. As part of our 2022/23 Best Value thematic work, we followed up the agreed actions from the 2021 report. We concluded that further work is still required on two of the six recommendations. These relate to further improvements needed to the council’s performance reporting (see [paragraph 52 to 60](#)) and delivery of its strategic change programme (see [paragraphs 111 to 116](#)).

The council did not effectively measure its performance against targets for priorities in its previous plan. Effective reporting on progress against target outcomes, to deliver council priorities, is now key

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

53. The thematic report says that despite it being reported in the 2021 BVAR as an area for improvement, the council did not effectively measure its performance against targets for priorities in its previous plan.

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

55. In January 2022, due to the council election in May 2022, members agreed to extend the council plan 2018-22 to March 2023, to allow a new administration to set its strategic priorities.

56. In August 2022, the council reported its 2021/22 performance against 81 measures associated with achieving the strategic objectives from the extended Council Plan. Only three of these measures had targets and so it is difficult to ascertain how performance differed from what was expected. Further performance reports were produced in November 2022 and April 2023, but they only included information on the 23 indicators that could be reported quarterly. The April 2023 report noted that the next performance report will relate to the new Council Plan 2023-2028 and is scheduled to be presented in November 2023.

57. The council's annual performance report, considered by members in December 2022, remains focused on areas of positive performance with less information about areas of poorer performance and how they will be addressed. The annual performance report is organised around the council's priorities, but the lack of a summary and dearth of targets meant it was difficult to ascertain the council's progress against its priorities. The plans for performance measures with agreed targets should allow the council to effectively monitor and demonstrate progress against its new Council Plan priorities. The council has committed to reviewing the content and presentation of its annual performance reports, with the 2022/23 report due for publication in December 2023.

58. In response to an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, the council is to make improvements to ensure:

- a balanced view of progress against the council plan priorities should be reported regularly to members
- a timetable for performance reporting to elected members should be a priority
- performance reports include details or links to planned improvement actions
- public performance reporting fully complies with the new Statutory Performance Information Direction.

59. A performance management framework to report progress against the Council Plan targets was discussed by the Council in June 2023. Reporting progress to elected members should now be a priority, to support challenge of services and focus of improvement actions. The first performance reporting on the new Council Plan is currently scheduled for November 2023. We will report on the effectiveness of the framework in future years.

60. To report effectively on its progress towards meeting its priorities, new service plans have been approved for each council service. They show the specific actions required to deliver on the priorities, with performance measures, targets, and timescales developed to help measure the Council Plan's impact. Service plans will be monitored by Council Leadership Team quarterly, with

reports going to Service and Partnerships Performance Panel (S&PP) in quarters two and four. An annual report will be produced every December for approval by Council.

The thematic report says there has been a gap in corporate self-evaluation of service performance at the council. The plans to reintroduce a corporate self-evaluation tool need to be progressed

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

62. This changed with the pandemic, while self-evaluation has taken place in some services, there is now not a corporate approach to self-evaluation. The council is now reviewing its approach and will now determine which evaluation tool best meets its needs to progress this by December 2023.

63. This is reflected in an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, which says that a corporate approach to self-evaluation need to be progressed, which should include an understanding of its performance in relation to other councils.

Public performance reporting needs to improve. The council has made recent improvements to its website, working towards compliance with the requirements of the Statutory Performance Information Direction

64. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) 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).

65. The council has a dedicated public performance reporting webpage. However as noted above, the Best Value thematic work found issues that impact on the effectiveness of the public performance reporting:

- the council failed to effectively measure its performance against targets set for the priorities in the previous council plan to March 2023 (SPI 1)
- there has been a gap in corporate self-evaluation of service performance at the council since the Covid-19 pandemic (SPI 2).

66. In addition, a performance report, the Local Government Benchmarking Framework (LGBF) 2021/22, presented to the Service and Partnerships Performance Panel in June 2023, and published on the council website, contained errors with the performance data reported to members. Whilst the headline percentages were reported correctly, the detailed breakdown of the direction of travel for a number of indicators was incorrect. This was due to officer error in analysing the data. The council has confirmed that an updated report will be provided to members and published on its website. It has also committed to reviewing the presentation of future reports to better link this national data to its own strategic priorities and areas of interest.

67. The council's dedicated public performance reporting webpage is being updated. This has included updating information and links and re-organising the layout to make the site more user friendly. However, improvements are required to include the council's response to external reviews.

68. In our view, there are improvements to be made to the public performance reporting. The council recognises this and is working towards compliance with the requirements of the Statutory Performance Information Direction.

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.

Conclusion

The council operated within budget in 2022/23.

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 were designed effectively, but we identified that controls could be strengthened in key areas. Standards for the prevention and detection of fraud remain appropriate.

The council operated within budget in 2022/23

69. The council approved its 2022/23 budget in March 2022. The budget was set at £304.962 million, which included planned savings of £1.522 million and use of reserves totalling £3.096 million. Budget adjustments throughout the year resulted in a revised budget for 2022/23 of £325.478 million which included a draw down from reserves for earmarked spend of £27.871 million.

70. In the 2022/23 Annual Accounts, the council reported an actual underspend of £13.716 million before earmarking. The most significant underspends are summarised in [exhibit 4](#).

Exhibit 4

Summary of significant variances against budget

Area	Total	Reason for variance
Underspends		
Education	£2.718 million	The underspend was due to delays in filling vacant posts and the timing of spend on multi-year programmes such as Early Learning and Childcare and Pupil Equity Fund. These monies will be carried over into 2023/24.
Strategic Change and Communities	£6.897 million	The underspend was due to delays in filling vacant posts combined with over recovery of income in leisure facilities and the receipt of grant income monies which are being carried in to 2023/24.

Source: South Ayrshire Council 2022/23 Annual Accounts

There was a £2.857 million net increase in usable reserves

71. One of the key measures of the financial health of a council is the level of reserves held. In 2022/23 there was a net increase of £2.857 million in the council's usable reserves, with the total now sitting at £61.798 million ([exhibit 5](#)).

72. Within the general fund reserve the most significant movements were in relation to the following:

- Planned use of £27.871 million for earmarked spend agreed through decisions taken by members during the year.
- Increase of £21.720 million following the application of Service Concession Arrangements (PPP/PFI) flexibilities in accordance with [Finance Circular 10/2022](#).
- Increase of £13.716 million due to 2022/23 underspend.

73. In addition to the above, the council utilised £8.170 million of Covid-19 funding carried forward from 2021/22. The total Covid-19 funding held in the reserve at 31 March 2023 is £5.912 million. The council has identified commitments that will utilise £4.977 million of this in 2023/24.

Exhibit 5

South Ayrshire Council - usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	£37.373	£39.877	£47.744
Housing revenue account	£14.254	£9.531	£3.279
Capital grants unapplied	£3.697	£6.379	£9.478
Repairs and renewals	£1.845	£1.682	£1.159
Capital fund	£2.744	£1.472	£0.138
Total usable reserves	£59.913	£58.941	£61.798

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

74. 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 Head of Finance, ICT and Procurement) 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.

75. The council's general fund reserve includes an unearmarked balance of £7.772 million, representing 3% of the expenditure budget of £233.589 million for 2023/2024. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's approved strategy of maintaining unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities. The remainder of the general fund reserve, £40.302 million, is earmarked for specific purposes such as the PPP/PFI benefit for future budgets (£14.000 million), Covid-19 recovery costs (£5.912 million) and the council's workforce change fund (£5.932 million).

Capital expenditure increased in 2022/23 but there continues to be challenges in the construction industry

76. Total capital expenditure in 2022/23 was £117.486 million. The council's total capital budget for 2022/23 was set at £198.178 million for 2022/23 but was subject to budget revisions throughout the year resulting in a final budget for both general services and housing of £119.064 million. During 2022/23 the construction industry has returned to more normal levels in terms of productivity and workflow, however, there continues to be challenges due to inflation, the impact of Brexit and the ongoing war in Ukraine.

General services programme 2022/23

77. General Services Capital Programme monitoring reports are presented to Cabinet throughout the year providing updates on the progress of current projects and the programme budget.

78. The general services capital programme budget was set at £128.974 million for 2022/23. Several revisions were made to the budget throughout the year resulting in a final budget of £90.749 million, mainly due to re-profiling of projects from 2022/23 to 2023/24 and beyond to reflect delivery timescales in the current climate. The most significant of these relates to the Ayr Leisure Facility after the council decided not to proceed with the plans for a new Ayr Leisure Centre due to increasing costs arising from inflation. The general services capital programme outturn spend was £89.171 million which represents slippage of less than 2% against the revised budget.

Housing capital programme 2022/23

79. Housing Capital Programme monitoring reports are presented to Cabinet throughout the year. The housing capital budget was set at £69.204 million for 2022/23. Throughout the year revisions were made to the budget to re-profile projects from 2022/23 to 2023/24 resulting in a final budget of £28.315 million. The majority of this re-profiling relates to modernisation and replacements to council properties throughout South Ayrshire. The housing programme outturn spend in 2022/23 was in line with the revised budget at £28.315 million.

80. During 2022/23, the council delivered 45 affordable homes for the people of South Ayrshire. In August 2023, The Local Housing Strategy 2023-2028 (LHS) was approved by Cabinet for submission to the Scottish Government. The Scottish Government's "Housing to 2040" sets out its ambition to deliver 110,000 affordable homes over a 10-year period to 2032/32, with at least 70% of these for social rent. South Ayrshire's LHS sets out the council's target of 135 units of affordable housing to be built or acquired per year to contribute towards meeting local housing needs.

81. The LHS has taken into consideration fuel poverty, the rising living costs together with the need to improve the efficiency of homes from both a social and environmental perspective. To ensure homes are affordable, rent levels for new build properties will be set on or below the local housing allowance and new build properties will aim to be cheaper to heat through measures that will include enhanced floor and roof insulation. As well as being cheaper to run,

improvements to energy efficiency will help the council meet outcomes set out in its Climate Change and Sustainable Development Strategy 2019-2024.

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

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

83. 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.

84. The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for 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.

Financial systems of internal control were designed effectively, but we identified that controls could be strengthened in key areas

85. From our review of the design and implementation of systems of internal control relevant to our audit approach (including those relating to IT), we have not identified any issues that represent a risk of material misstatement for the 2022/23 Annual Accounts. We have though identified two areas where a control could be strengthened:

- **Journal authorisation:** The council's financial ledger is the system for recording all transactions and preparing the financial statements. Journal entries are how the council's financial ledger is manually updated. To minimise the risk of error and fraud we would expect each journal entry to be prepared and authorised by different members of staff. This control is not in operation for staff at "level 9" and above. The ability of officers to approve their own journals increases the risk that invalid, erroneous or fraudulent journals could be posted to the financial ledger.
- **Payroll validation:** Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records and is an important control within any payroll system. This process is not currently in place at the council. There is a risk that payments are made to individuals not in the employment of the council.

86. In response to these points, we extended our sample over journals and undertook our own employee validation checks. No issues were identified from this testing.

87. The control deficiencies reported here are limited to those we identified while completing our audit work for these purposes. Except for these suggested improvements, the key controls within the council's main financial systems were designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to its Annual Accounts is low.

Recommendation 3

Journal authorisation: each journal should be prepared and authorised by different members of staff.

Recommendation 4

Payroll validation: the council should ensure formal procedures are in place to validate staff on the payroll.

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. Internal audit's annual report, presented to the June 2023 Audit and Governance Panel, 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 council has in place appropriate arrangements for the prevention and detection of fraud and corruption

90. 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.

91. 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. For the 2022/23 exercise, the council has made good progress in reviewing all very high-risk matches. The council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

92. 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.

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.

Conclusion

The council approved a balanced budget for 2023/24 in March 2023.

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

The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 shows an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26.

The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme.

The council approved a balanced budget for 2023/24 in March 2023

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

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

95. In line with the Accounts Commission’s commentary on the need for councils to undertake a review of their services and consider areas for reform, as part of its initial budget proposals, the council had plans for reducing teacher numbers in line with falling pupil rolls. However, in a letter from the Deputy Director: Workforce, Infrastructure and Digital on 9 February 2023 to all local authorities, the Scottish Government confirmed the need for councils to protect teacher numbers, pupil support staff and learning hours. In response to this the council removed its proposals as it would have resulted in the withdrawal of funding and additional savings would have been required to compensate for this.

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

97. The council’s identified savings of £5.686 million is made up of a number of initiatives including service redesigns and reductions, reductions to budgets and removal of vacant posts. Going forward the council needs to ensure that identified savings are in line with its priorities. Alignment with the council’s transformational change programme is discussed further at [paragraphs 111 to 116](#) is also key.

98. Budgeted service expenditure in 2023/24 includes additional investment of £10.789 million to fund cost pressures on key services, such as neighbourhood services and to provide new benefits to communities. For example, £0.250 million was committed in 2023/24, with a proposed continual investment for the next five years, in the delivery of the International Ayrshow: Festival of Flight. This aims to bring tourism and economic regeneration into South Ayrshire.

99. Capital investment has also been committed, including £1 million in each of the 8 wards across South Ayrshire over the next four years to make infrastructure improvements to benefit communities. These investment decisions have been influenced using the information collated from the council’s engagement with its communities as part of its place planning. The identified projects have been linked to the new Council Plan’s priorities. The proposed projects were considered and approved by the Council in June 2023. The council has committed to regular monitoring of the projects to ensure transparency with its investment decisions.

The council has in place medium and longer-term financial plans

100. Multi-year allocations were not included in the Scottish Government’s 2023/24 budget. As such, the funding position beyond 2023/24 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst we recognise 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.

101. The council's Medium-Term Financial Plan (MTFP) 2023-24 to 2025-26 was updated in November 2022. It aims to provide clear direction on how the council will deploy its financial resources to achieve council priorities. The plan provides a picture of the likely challenges to be faced in the coming years. This should help to focus attention and inform decisions on areas of priority and non-priority spend for the council. The plan considers a range of scenarios and assesses the impact of known pressures on the council's finances, such as inflation, the challenging economic climate, and estimated changes to funding.

102. The plan outlined an anticipated budget gap of between £11.0 million and £17.2 million for 2024/25 and an anticipated cumulative budget gap of between £28.7 million and £39.5 million by 2025/26 ([exhibit 6](#)).

Exhibit 6

MTFP - budget gap 2023/24 - 2025/26

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

Source: Medium-Term Financial Plan Update November 2022

103. As part of the 2023/24 budget setting, the council provided an indicative scenario-based revenue budget for 2024/25. The position reported indicated a potential funding gap of between £7.5 million and £22.2 million. Whilst the best-case budget gap scenario (£7.5 million) is an improvement on the position reported in the MTFP ([exhibit 6](#)), both the mid (£15.2 million) and worst (£22.2 million) cases show a worsening budget gap position. Inflation, ongoing pay discussions and future funding settlements all contribute to the uncertainties in financial planning. The council also points out that efficiencies have to be delivered from non-ring-fenced services which they estimate are now only 33% of the overall budget.

104. The MTFP links to the council's Long-Term Financial Outlook (LTFO) 2022-23 to 2031-32, approved in October 2021 and reflects the known factors affecting the financial sustainability of the council over the longer-term. The mid-case cumulative 10-year gap outlined in the LTFO totals £107.6 million, with best (£36.2 million) and worst (£171.5 million) case budget gaps also identified.

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

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

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

An updated financial plan is to be discussed with members towards the end of 2023. This should be aligned with the priorities set out in the new Council Plan

107. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about the scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important. The council is due to present its updated financial plan to members towards the end of 2023.

108. The Convention of Scottish Local Authorities (COSLA) and the Scottish Government (SG) have agreed the New Deal, or [Verity House Agreement](#). It is based on three shared priorities: tackling poverty; just transition to net zero; and sustainable public services. The SG and COSLA will work together on engagement on budget planning, a fiscal framework, programmes of activities and a review of local government grant funding. SG and local government will also agree a monitoring and accountability framework.

109. The council has committed to updating its financial plans in line with the financial environment it is operating in at the time alongside its strategic priorities. These updates should include any developments from the Verity House Agreement. This will ensure a cohesive approach to the delivery of services and outcomes for citizens.

110. The council has set a balanced budget for 2023/24, holds unearmarked reserves at a level consistent with its financial strategy and has a history of effective financial management. Whilst significant financial challenges remain, we are of the view that the council is financially sustainable.

The council's strategic change programme is the focus for changing how services are delivered in the future to ensure they are sustainable. The council has still to establish expected cashable benefits and baseline activity for most of the 14 projects in the programme

111. The 2021 BVAR said that relative to other council's, South Ayrshire's approach to transformation had been slow and inconsistent, lacking drive and urgency. The number of projects in the scope had increased from 22 at launch in June 2021 to 35 by January 2023. The council has since refocussed the programme in June 2023 to 14 projects. Prior to the refocus, the council had progressed, to the final stage of the process, eight projects with an estimated cashable benefit of around £0.545 million.

112. The 2023/24 budget set a savings target of £0.200 million for the projects in the refocussed programme. Most of the projects are at the planning stage, so these do not have forecasted cashable savings assigned to them yet. Further prioritisation of the projects may follow once this is done. To date, £0.032 million (16%) of the 2023/24 target has been achieved.

113. The council has committed to bi-annual reporting to its Service and Partnerships Performance Panel to ensure scrutiny of the programme and its activity. Additionally, programme updates are subject to review by officers on the Strategic Change Executive. We will monitor the council's progress with its revised programme.

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

115. The Strategic Change Programme Office was resourced, on a full-time basis, by a Project Implementation Coordinator and four Project Officers. One of the Project Officers secured a promoted post elsewhere in the council in January 2023. The 2023/24 budget included a service review with an associated savings requirement of £0.100 million for the Strategic Change Team. This has impacted on the filling of this vacancy, with this post put forward as a permanent reduction in staffing to contribute to this saving target. The introduction of the savings target for the team means a change in focus in how projects are developed and delivered. Combined with the reduction in staff, there was a need to review the projects on the programme to ensure that the team is best positioned to deliver on its new target of 14 projects. The council should ensure these cost savings do not impede the progress of its refocussed transformation programme.

116. As we have detailed elsewhere in this report, the council has made progress in a number of the priority areas set out in the LTFO but given the projected challenging financial environment, the pace of improvement still needs to increase. It is more important than ever that there is effective leadership, from both senior officers and elected members at the council, to

drive at pace, the transformational change needed to ensure its sustainability into the longer-term.

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.

Conclusion

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

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

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

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

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

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

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

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

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

119. Following the resignation of an SNP councillor on 30 June 2023 a by-election was held on 21 September 2023. This election was won by the conservatives.

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

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

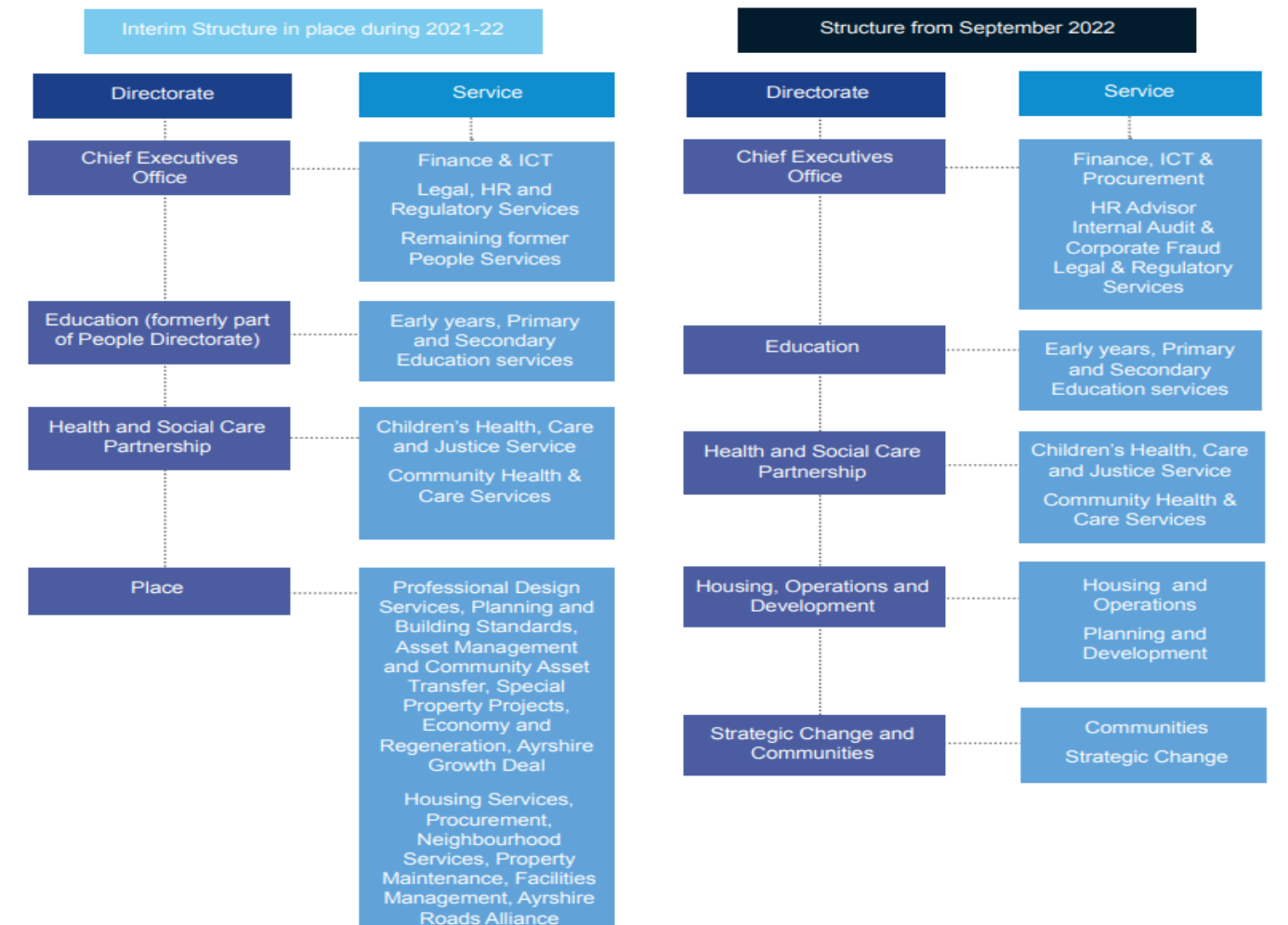
121. In response to this, the Chief Executive was tasked with bringing forward structural revisions that better reflect the current challenges and priorities of the council. Proposals were developed by the Chief Executive in November 2021 to split the Depute Chief Executive/ Director of Education role into 2 posts. The Director of Education post was created and decisions on other post delayed until after the May 2022 election. This reduced the leadership capacity until a revised council structure was approved in September 2022 ([exhibit 7](#)).

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

123. All posts requiring an appointment were filled by December 2022. As at September 2023 there are no vacancies in the Corporate Leadership Team. The current Chief Executive is retiring in the autumn. Following a recruitment and selection process the council's current Depute Chief Executive and Director of Housing, Operations and Development will be the new Chief Executive from November 2023.

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

Exhibit 7 Revised council structure



Source: South Ayrshire Council Annual Accounts 2021/22

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

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

- Cabinet: creation of an additional Portfolio Holder for Developing South Ayrshire with oversight of future developments and special projects - Independent Member.

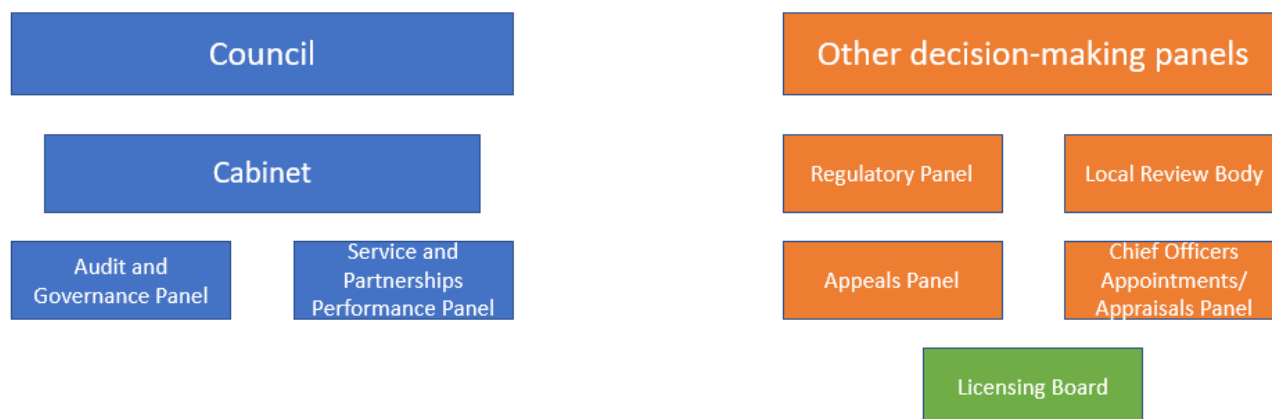
- merger of the Service and Performance and Partnerships Panels - Chair (Labour Group) and increase membership to eight elected members including Chair.
- membership of the new Service and Partnerships Performance Panel, to comprise members as follows: Labour (1), SNP (4) and Conservative (3).

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

127. The above recommendations were agreed after a split vote of 14-14, decided by the Provost’s casting vote. Following the approval of the recommendations the council has a new political decision-making structure ([exhibit 8](#)).

Exhibit 8

Political decision-making structure from 1 March 2023



Source: South Ayrshire Council

128. The Cabinet remains the main decision-making body of the council and decisions of the Cabinet may be subject of a “Call In” for further scrutiny to the Audit and Governance Panel. Therefore, the quality of the Audit and Governance Panel is key to ensuring effective scrutiny of decisions. From our attendance at, and observation of, meetings of the Audit and Governance Panel, members understand their role, provide sufficient scrutiny and effective challenge is exercised.

129. It is for councils to decide on the design of their scrutiny arrangements. From our review of a sample of other local authorities, having two scrutiny

panels is not considered unusual. What is key is that the arrangements should be such that the council's leadership can be scrutinised and held to account for its plans and performance. The Panel's bi-annual self-evaluation of its performance is due for completion in September 2023. We will consider this as part of our 2023/24 audit.

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

130. 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.

131. 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.

132. One of the Audit and Governance Panel's responsibilities is to undertake an annual review of council officers' self-assessment against the council's corporate governance framework. The most recent review (2022/23) identified that of the 21 sub-principles, 19 were effective and two were effective but some improvements were needed. The council has developed an action plan, with this disclosed in its 2022/23 Annual Governance Statement, to take forward these improvements into 2023/24.

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

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

135. Sustainability, climate change and biodiversity, together, is one of seven cross-cutting themes that the council plans to include in a new integrated impact assessment by September 2023. It is not yet clear, as this approach is still being developed, how progress on addressing climate change will be driven

and how the integrated assessment will link with the council's Sustainable Development and Climate Change Strategy, due to be updated in 2024. The council has committed to spending £450,000 on addressing climate change in 2023/24.

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

137. In response to an audit recommendation in the BV thematic report, replicated in [Appendix 1](#) of this report, the council is to introduce a process to ensure its cross-cutting priorities are given the necessary consideration. Measures should be set for monitoring progress. In particular how the council will measure that it is reducing inequalities and addressing climate change should be laid out.

138. The council is introducing an impact assessment approach to ensure that addressing climate change is seen by elected members and officers as an integral part of everything it does and is part of everyone's job.

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

The council is demonstrating good practice by setting a carbon budget

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

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

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.

Conclusions

The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this.

The council's overall performance per national benchmarking shows an improving position over time. However, while 51% of national indicators are in the top two quartiles of councils, this has fallen from 57%, showing the rate of service improvement has slowed compared to others.

The council's leadership recognise that the pace of improvement needs to increase. Plans to reintroduce a corporate approach to self-evaluation need to be progressed to support this

142. The Best Value section of this report concludes that the council's performance arrangements need to improve to demonstrate how its activities are contributing to improved outcomes for citizens.

143. The Best Value: Revised Statutory Guidance 2020 sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities. Key to the council demonstrating improved outcomes for citizens will be the reintroduction of a corporate approach to self-evaluation.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on year

144. 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. In analysing the LGBF data we recognise that local policy choices about council services and strategic priority areas will have an impact on the results.

145. The most recent [National Benchmarking Overview Report 2021/22](#) by the Improvement Service was published in March 2023. The results were considered by the council's Service and Partnerships Performance Panel in June 2023 along with council specific commentary on where improvement activity is planned or already underway. The information reported to members stated that:

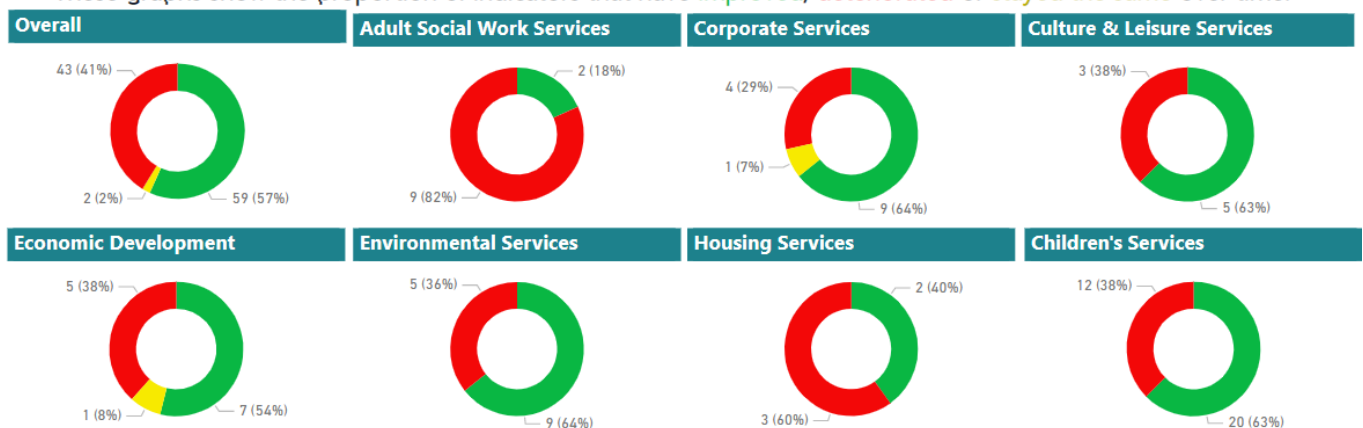
- 34% of the measures improved.
- 29% declined.
- 8% remained stable.
- 10% were not comparable.
- 16% had no data.
- 4% were new with only baseline data.

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

146. [Exhibit 9](#) shows the council's 2021/22 performance across services when compared with the relevant data's base year. Based on the indicators within each service area, the council shows an overall improving position over time.

Exhibit 9 South Ayrshire Council LGBF results – trend since base year

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



Source: Improvement Service – LGBF 2021/22

147. Of the 104 indicators reported in the 2021/22 LGBF data, 59 (57%) of these have improved for the council since the base year. However, the number of indicators in the top two quartiles has decreased from 57% in the base year

to 51% in 2021/22. These results indicate that whilst the council's overall performance year-on-year has improved, its performance has improved more slowly than other councils over this period.

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

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

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for Property, Plant and Equipment (PPE)</p> <p>We identified a number of issues in our testing of PPE.</p> <p>Risk: If the accounting for PPE is not improved future accounts could be materially misstated.</p>	<p>The council should undertake a thorough assessment of the fixed asset register to ensure its accuracy.</p> <p>Going forward, there should be clearer communication between Estates and Finance to ensure that necessary updates are reflected in the fixed asset register.</p> <p>Exhibit 2</p>	<p>Management response</p> <p>A review of the asset register is already underway and new protocols and procedures will be introduced to ensure its accuracy. Regular meetings are being planned between the Estates and Finance teams to maintain a clear route for communication of required changes.</p> <p>Responsible Officer</p> <p>Head of Finance, ICT and Procurement and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by</p> <p>30 June 2024.</p>
<p>2. Matrix approach for revaluations</p> <p>We identified several assets which have not been revalued in over 5 years, in line with the council's 5-year rolling programme.</p> <p>The current approach to revaluations can also lead to uneven valuation movements arising each year.</p>	<p>The council should consider a matrix approach to valuations whereby a percentage of each class of asset is revalued each year. The council should ensure that all assets are included in this future programme.</p> <p>Paragraph 30</p>	<p>Management response</p> <p>Discussions have already taken place between Estates and Finance teams with the aim of moving the revaluation methodology to a matrix approach for 2023/24 and beyond. Further work on this will continue in advance of the 2023/24 year end.</p> <p>Responsible Officer</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk: The valuation of assets included in the accounts could be materially misstated.</p>		<p>Head of Finance, ICT and Procurement and Service Lead – Asset Management and Community Asset Transfer.</p> <p>Actioned by 30 June 2024.</p>
<p>3. Control improvement: journal authorisation</p> <p>Some staff can approve their own journals.</p> <p>Risk: Invalid, erroneous or fraudulent journals could be posted to the financial ledger.</p>	<p>Each journal should be prepared and authorised by different members of staff.</p> <p>Paragraph 85</p>	<p>Management response</p> <p>Journal authorisation limits had been set within Oracle to account for risk, the experience of staff and availability of resources. The current protocols in place ensure that no staff member below Finance Officer can authorise journals. For Finance Officers and above the system has authorisation value limits built in to ensure that once a certain value is reached the journal is automatically routed to a more senior officer for authorisation. The risk of posting invalid or erroneous journals is considered low and is therefore acceptable to Service Management.</p> <p>No further action is proposed</p>
<p>4. Control improvement: payroll validation</p> <p>There is currently no payroll validation exercise in place to confirm that only current employees are getting paid.</p> <p>Risk: Payments are made to individuals not in the employment of the council.</p>	<p>The council should ensure formal procedures are in place to validate staff on the payroll.</p> <p>Paragraph 85</p>	<p>Management response</p> <p>An annual rolling programme will be implemented and undertaken by the HR team. Oracle Fusion introduced an automated task for managers to confirm when an employee does not commence employment to ensure they are not set up on the payroll system.</p> <p>Officers will consider if staff validation can be automated via Oracle Fusion.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Responsible Officer Chief HR Adviser.</p> <p>Actioned by 31 March 2024.</p>

2022/23 recommendations from the [BV thematic report](#)

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

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

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

Follow-up of prior year recommendations

Issue/risk	Agreed management action/timing
<p>b/f 1. PPE valuations</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>Closed</p> <p>The councils in house valuers 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>

Issue/risk	Agreed management action/timing
<p data-bbox="113 293 778 331">b/f 2. Infrastructure assets</p> <p data-bbox="113 347 778 495">The Council should revisit its useful economic (UEL) life policy to consider whether alternative UEL's should be set for different types of assets.</p>	<p data-bbox="778 293 1465 331">Closed</p> <p data-bbox="778 347 1465 495">This is a national issue which will not be resolved for a number of years. Once further guidance emerges, we will work with the council to address this matter this.</p>

South Ayrshire Council

2022/23 Annual Audit Report

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Strategic Alliance with the Improvement Service: Annual Review

Policy Manager to the Commission

Item 6
Meeting date: 12 October 2023

Purpose

1. This report reviews the Strategic Alliance between the Commission and the Improvement Service (IS) and proposes joint priorities for the next 12 months.

Recommendations

2. The Commission is invited to:
 - Note the progress of the Strategic Alliance between the Accounts Commission and IS;
 - Restate and underline its commitment to the Strategic Alliance;
 - Consider whether the signatories on the Strategic Alliance should be amended to the current Chair of the IS Board and, once in post, the new Chair of the Accounts Commission;
 - Agree to retain and further develop the joint priorities agreed as a basis for the Alliance;
 - Agree that we will work with the Improvement Service to review progress in 12 months' time; and
 - Offer any feedback on the report for consideration by the Improvement Service Board.

Background

3. At their respective March 2021 meetings, the Commission and the IS Board each approved a Joint Statement of Intent for a Strategic Alliance between the Commission and the IS, and agreed joint priorities for the following 12 months. The Joint Statement is in **Appendix 1**.
4. It was also agreed by the IS Board and the Accounts Commission that both would jointly review progress in delivering the Strategic Alliance at the end of the first 12 months of its operation. The outcome of the review was presented to the Commission at its meeting in April 2022. Given the change in Board membership after the local elections, the IS Board considered the outcome of the review at its first subsequent meeting, in October 2022.
5. As part of their reviews of progress, the Commission and the IS Board both restated and underlined their commitment to the Alliance, and agreed to retain the original (March 2021) priorities. They also agreed to a further review in 12 months' time; the findings of that review were reported to and endorsed by the IS Board at its meeting in September 2023, and are presented here for the Commission's consideration and approval.

Progress

6. A summary of progress against the priorities that form the basis of the Alliance is set out in **Appendix 2**. Some key highlights include:
- The IS was actively involved in all Commission overview reports and performance audits which have taken place over the last 12 months.
 - The Commission continued to actively signpost councils to relevant improvement support available from the IS following their Best Value Assurance Reports.
 - The Accounts Commission and IS co-hosted an online event for elected members, on 1 June 2023, about the Local Government in Scotland Overview 2023 report.
 - The Accounts Commission and IS co-hosted the first of a series of online events for elected members on the Commission's How Councils Work (HCW) reports, on 7 September 2023.
7. It is proposed that the Accounts Commission and IS Board agrees to retain the priorities set out in **Appendix 2**, with a further review in 12 months' time. Given the flexible and dynamic nature of the work programme, further opportunities for collaborative working will be a core feature of ongoing dialogue between the IS Chief Executive, the Executive Director of Performance Audit and Best Value (PABV) and the Controller of Audit (CoA).

Next Steps

8. Within the priorities set out in the Strategic Alliance, we anticipate that across the next 12 months, there will be opportunities to collaborate on matters such as:
- The Local Government Benchmarking Framework (LGBF) and the Commission's Statutory Performance Information (SPI) Direction, which is due to be reviewed by the Commission by the end of 2024.
 - The Verity House Agreement, particularly in relation to future local government accountability and assurance arrangements, building on the arrangements already in place around local audit and Controller of Audit Best Value reporting.
 - Annual national thematic Best Value reports and s102 Best Value reporting, particularly in relation to the IS working with the Commission to raise awareness of the refreshed approach to Best Value with elected members, and the Commission signposting relevant improvement support offered by the IS.
 - Transformation and innovation, including considering the impact of the Solace/IS transformation work on future audit and inspection, the use of the LGBF to drive local improvement, as well as digital and data enabled transformation.
 - Partnership working, given the recommendations arising from the Scottish Parliament's Community Planning Inquiry: Post-Legislative Scrutiny of the Community Empowerment Act 2015 and the increased emphasis that the Verity House Agreement places on Community Planning Partnerships acting as a vehicle for aligning local resources, supporting the shift towards prevention and delivering shared priorities.
 - Further development of Local Government's approach to sector-led improvement and how that relates to independent audit and inspection.

9. Whilst we are recommending that both the Commission and the IS Board restate and underline their commitment to the Alliance, we are conscious that it was signed by a previous interim Chair of the Accounts Commission and the previous Chair of the Board. The Commission and the IS Board are therefore being asked to consider whether we should update the signatories on the Strategic Alliance to the current Chair of the IS Board and, once in post, the new Chair of the Commission.

Conclusion

10. The Commission is invited to:

- Note the progress of the Strategic Alliance between the Accounts Commission and IS;
- Restate and underline its commitment to the Strategic Alliance;
- Consider whether the signatories on the Strategic Alliance should be amended to the current Chair of the IS Board and, once in post, the new Chair of the Accounts Commission;
- Agree to retain and further develop the joint priorities agreed as a basis for the Alliance focusing on the areas of potential collaboration set out in para 8 above;
- Agree that we will work with the Improvement Service to review progress in 12 months' time; and
- Offer any feedback on the report for consideration by the Improvement Service Board

Appendix 1: Joint Statement of Intent



Strategic Alliance between the Accounts Commission and Improvement Service A Joint Statement of Intent

The purpose of this joint statement is to outline the respective roles of the Improvement Service and Accounts Commission in improvement, and how we will work together formally on matters of mutual interest.

Both organisations have unique roles within Scottish Local Government – the Accounts Commission is responsible for securing the audit of Local Government, whilst the Improvement Service is the improvement arm of the Local Government family. Given the unprecedented challenges facing Local Government and its communities, and the need to accelerate transformation, it is essential that both organisations work together systematically, and in a way that retains the integrity of each organisation, to generate collective momentum for improvement.

About our organisations

Accounts Commission

The [Accounts Commission](#) is the public spending watchdog for Scottish Local Government, holding councils to account and helping them to improve. While the 12 members are appointed by Ministers, the Commission operates independently and reports to the public. It is responsible for securing the audit of Scottish Local Government and of Integration Joint Boards (IJBs).

The Commission uses its powers in two main ways. Firstly, the audit of individual councils and IJBs, including the annual audit and Best Value auditing. Secondly, national reporting on the performance of councils and IJBs including performance audits and sector overview reports. These performance audits can sometimes be undertaken jointly with the Auditor General for Scotland (AGS) who is responsible for auditing the Scottish Government, government agencies, NHS bodies, further education colleges and most NDPBs.

While the Commission's core function is to provide assurance to the public about the probity and performance of Scottish Local Government, the Commission also aims to contribute to the improvement of the sector and of wider outcomes. It does this in a range of ways. Firstly, through improvement recommendations made by appointed auditors in their annual audit of individual councils and IJBs. Secondly, through improvement recommendations and the promotion of good practice as part of its national programme of performance audit work and Best Value auditing. Thirdly, through the Commission's series of *How Councils Work* reports which aims to stimulate change and provide practical support to help councils continue improving their performance.

Audit Scotland was established in 2000 to provide audit services to the Accounts Commission and Auditor General Scotland. In addition, therefore, to this strategic alliance with the Accounts Commission, the Improvement Service also enjoys a close operational relationship with Audit Scotland in its work.

Improvement Service

The [Improvement Service](#) is the 'go-to' organisation for Local Government Improvement in Scotland, with a remit to work collaboratively to deliver improvement support to help councils and their partners improve the health, quality of life and opportunities of all people in Scotland through community leadership, strong local governance and the delivery of high quality, efficient services. The purpose of the Improvement Service is to:

- Provide leadership to Local Government and the wider system on improvement and transformation;
- Develop capability and capacity for improvement within Local Government;
- Deliver national improvement programmes for Local Government and partners and support councils to improve at a local level;
- Provide research, data and intelligence to inform Local Government's policy-making and decision-making and to drive improvement;
- Deliver national shared service applications and technology platforms; and
- Broker additional resources to support the delivery of Local Government's priorities.

Purpose of our Strategic Alliance

The Accounts Commission and Improvement Service are committed to working together on matters of mutual interest, where it is appropriate and sensible to do so, and where collaborative gain will be derived for Scottish Local Government. We will:

- Generate collective momentum for improvement through targeted joint work in areas of strategic importance to Local Government. These areas include responding to the economic and social impact of the global Covid-19 pandemic, employability and fair work, child poverty, climate change, health and social care integration, community empowerment, digital transformation, collaborative leadership, equalities and governance.
- Use our unique and distinct roles to inform, facilitate and support each other's work. For example, data and intelligence gained through IS work will be used to inform audit work undertaken by the Accounts Commission, and recommendations from audit work will be used by the Accounts Commission to signpost IS support to local authorities.
- Consult with each other as we develop our annual Business Plans and work programmes, to identify opportunities to work together to secure collaborative gain and maximise the impact of our improvement work in Local Government.
- Engage jointly with elected members in areas of mutual interest such as community empowerment, options appraisal, partnership working, and effective scrutiny.
- Deliver collaborative events, such as workshops, round-tables, and webinars as appropriate, in priority areas for Local Government.

How we will work together

We will use our Strategic Alliance to work together to create traction and momentum for our partnership, recognising that it will be organic in nature and evolve and mature over time. This will involve regular discussions between the IS and Commission members in areas of shared priority, as well as colleagues from both organisations working jointly on shared pieces of work where it is appropriate to do so.

We will use this Strategic Alliance to capitalise upon the complementary strengths, skills, experience, knowledge and assets available within our respective organisations, as we work together more formally

on matters of mutual interest. In doing so we will recognise and respect the distinct roles and responsibilities of our respective organisations as we work together.

Governing our Strategic Alliance

Progress against the delivery of our Strategic Alliance will be governed by the Improvement Service Board and Accounts Commission. We will review the progress we have made in delivering our shared ambition on an annual basis.

Elma Murray OBE
Interim Chair of Accounts Commission

Councillor Alison Evison
Chair of Improvement Service Board

Appendix 2: Summary of progress

Summary of progress with the delivery of the Strategic Alliance since September 2022

Priority	Progress
<p><i>The Accounts Commission (AC) and Improvement Service (IS) will consult with each other on their annual work programmes/ Business Plans to identify opportunities for collaborative working</i></p>	<ul style="list-style-type: none"> • As part of the development of the IS' new Strategic Framework, the IS met with the Chair of the Accounts Commission to seek his views on future IS priorities. • The Accounts Commission consulted the IS (alongside a range of other local government bodies) on its 2023/24 work programme. The IS provided a constructive and helpful response to the consultation exercise. • The IS Chief Executive and relevant Audit Scotland Staff (Executive Director of Performance Audit and Best Value (PABV) and the Controller of Audit (CoA)) have used their regular catch up meetings throughout the year to ensure that appropriate connections are made between relevant Audit Scotland and IS staff in relation to the Accounts Commission and IS work programmes, including new work that has emerged in-year through the Commission's dynamic work programme.
<p><i>The IS will participate in Advisory Groups established to oversee the development of the annual Local Government Overview reports on finance and challenges and performance and other relevant audit work which directly links to IS programmes, and will contribute relevant data, intelligence and case studies</i></p>	<p>Audit Scotland, on behalf of the Commission, has actively involved the IS in all local government related overview reports and performance audits which have taken place over the last 12 months, including:</p> <ul style="list-style-type: none"> • IS participation in the advisory groups on the Local Government in Scotland Overview 2023 and Local Government in Scotland Financial Bulletin 2021/22 reports. The Accounts Commission referred to IS reports, data analysis and case studies in these reports, where relevant and helpful. • The IS contributed to the Accounts Commission's report on 'Early Learning and Childcare: Progress on the delivery of the 1,140 hours expansion'. This report referenced data analysis undertaken by the IS on early learning and childcare expansion. • The IS provided feedback on the Accounts Commission's Briefing Paper on Scotland's Councils' approach to addressing climate change. This was a catalyst for the IS, Audit Scotland and Sustainable Scotland Network meeting in February to scope how to potentially work together on climate change. There are now regular catch-ups in the diary between the three organisations. • Audit Scotland shared the emerging messages of its Best Value Legacy report with the IS for feedback and for including reference to work undertaken by the IS with local authorities pre and post Best Value Assurance Report (BVAR). • The IS will contribute to the performance audit which has just commenced on digital exclusion.
<p><i>The AC will signpost councils to the support available from the IS following Best Value audit work</i></p>	<ul style="list-style-type: none"> • In meetings with councils to discuss their published BVARs, the Accounts Commission continued to actively signpost councils to relevant improvement support available from the IS. This has resulted in the IS, for example, providing support to councils on self-assessment and improvement planning, and on member/officer roles and relationships.

Priority	Progress
<i>The AC will involve the IS in its approach to developing a Best Value audit approach for Integration Joint Boards (IJBs)</i>	<ul style="list-style-type: none"> • The IS was actively involved in the Commission’s Best Value in IJB development work, including offering advice on IJB self-evaluation activity. Given the National Care Service (Scotland) Bill, the Accounts Commission has ceased its work to develop a Best Value audit approach for IJBs. However, Audit Scotland continues to actively engage with the IS on the Commission and Auditor General Scotland’s wider programme of health and social care-related audit work (e.g. briefings, overviews and performance audits).
<i>The IS will provide briefings to the AC on outcome areas that it is delivering improvement support in</i>	<ul style="list-style-type: none"> • The IS accompanied the Chair of the LGBF Board to a meeting with the Accounts Commission on the LGBF Overview Report and to discuss future strategic priorities for the LGBF. • The AC Secretary signposts relevant IS work and reports in their monthly update report on significant recent activity relating to Local Government. These updates are taken from the IS Newsletter and IS Leaders’ Newsletter.
<i>The AC will provide periodic briefings to the IS Board on the key themes arising from its Local Government audit work, to help inform future Local Government improvement planning</i>	<ul style="list-style-type: none"> • This is an area where limited progress has been made with the Strategic Alliance over the last year other than the Chair of the Accounts Commission attending the IS Board meeting in October 2022 to discuss the Strategic Alliance.
<i>The AC and IS will co-host two events in areas of mutual interest</i>	<ul style="list-style-type: none"> • The Accounts Commission and IS co-hosted an online event for elected members on 1st June 2023 on the Local Government in Scotland Overview 2023 report. This was a highly participative and well attended event, and provided the Accounts Commission (the Vice Chair and another Commission member attended) and IS with an opportunity to engage directly with elected members on the report and to identify areas where further improvement support would be helpful. • The Accounts Commission and IS will deliver a number of online events for elected members in Autumn 2023 on the Accounts Commission’s ‘How Councils Work’ reports.
<i>The AC and IS will consider opportunities for co-produced elected member briefings and/or elected member webinars in areas of mutual interest</i>	<ul style="list-style-type: none"> • This is an area where some progress has been made with the Strategic Alliance over the last year – see the two actions highlighted above. However, a longer-term programme of collaborative work in this area is not yet currently in place.

Purpose

1. The purpose of this report is to provide an update to the Commission on significant recent activity relating to local government.
2. The Commission receives regular information to complement this report, which is available through the [members' SharePoint site](#). This includes:
 - The Controller of Audit report to the Commission, updating the Commission on her activity. This is intended to complement this Secretary's update report.
 - An update on issues relating to local government which is considered by the Commission's Financial Audit and Assurance Committee.
 - A weekly news coverage briefing provided to the Commission by Audit Scotland's Communication Team, now supplemented with a summary of parliamentary activity from the Commission Support Team.

Recommendations

3. The Commission is invited to:
 - Note this report and consider any implications for its work programme.
 - Agree to the proposed actions with regard to the Commission responding to the consultations highlighted at the end of this report.

Commission business and recent publications

4. Monthly updates on the activities of both the Chair and Controller of Audit are standing items on the Commission's agenda.
5. Information relating to recent [publications](#) and [blogs](#) is available online, with future planned publications and activities outlined on the members' communications schedule available on the [members' SharePoint site](#). This includes a list of planned publications and activities for the year, along with indicative roles for members in promotion and engagement activities.
6. The Accounts Commission has published the following reports in recent weeks:
 - ["2021/22 audit of Glasgow City Council: Update on equal pay arrangements"](#) 24 August. This report – prepared by the Controller of Audit under Section 102 of the Local Government (Scotland Act) 1973 – confirmed that the council has settled or is in the process of settling about 19,000 claims at a cost of £765 million. In its findings, the Commission commended the council for its effective governance arrangements around its work to implement a new system aimed at ensuring employees are paid equally in the future, but urged the council to maintain the pace in delivering this programme, which has been delayed due to both its complexity and the Covid-19 pandemic.

- “[Adult mental health](#)”, joint report with the Auditor General; 13 September.
This report found that accessing adult mental health services in Scotland remains slow and complicated for many people, particularly for ethnic minority groups, people living in rural areas and those in poverty. The report highlights that a lack of data makes it hard to see the impact of big increases in spending on adult mental health services, whilst a fragmented system – with the Scottish Government, NHS boards, councils, IJBs and the third sector all involved in funding or providing services – makes accountability complex.
- “[Best Value in Scotland](#)”, 26 September.
This report covers the process of auditing Best Value in Scotland over the past twenty years and the next steps for Best Value reporting in Scottish councils. It shows how the Commission's Best Value auditing has had a crucial role in holding local government to account, shining a spotlight on what is working and what needs to improve. The report emphasises that Best Value has driven significant improvements in local government, but it has also highlighted areas where progress has not been fast enough.

7. Please see below the figures for the number of downloads for each report and page views for the blog. These figures are correct as at 30 September 2023 – which is a consideration in assessing the figures for the Best Value report and blog in particular.

Report	Date	Downloads
S102 Glasgow equal pay	24 Aug	174
Adult mental health	13 Sep	1,341
Best Value in Scotland	26 Sep	242
Best Value report blog	26 Sep	105 (views)

8. As part of the revised approach to preparing this update report introduced in 2023, it was agreed that quarterly and annual download statistics for relevant Accounts Commission publications would be provided to supplement the regular monthly statistics (and help to overcome the above issue of timing). Figures for downloads of Commission publications in Q1 (April to June) and Q2 (July to September) are provided in [Appendix 1](#).

Issues affecting Scottish local government

Scottish Government

9. The Scottish Government issued the following general announcements and publications during September:
- 9.1. The [Programme for Government \(PfG\) 2023-24](#) was published on 5 September setting out the Scottish Government's legislative agenda and funding commitments for the coming year. The programme is based around First Minister Humza Yousaf's three 'national missions' of equality, opportunity and community, and reiterates the Scottish Government's priorities as reducing poverty, delivering growth, tackling climate change and providing high-quality public services. Key commitments include:
- expanding access to funded childcare from nine months through to the end of primary school in six 'early adopter' local authorities, alongside starting to phase in a national expansion for families with two-year-olds from next year,

- paying direct social care workers and staff providing funded early learning and childcare in sectors outside of local government, at least £12 an hour from April,
- working with COSLA in the coming year to prepare schools and infrastructure for the expansion of universal free school meal provision for to Primary 6 and 7 pupils during 2026, starting with those in receipt of the Scottish Child Payment
- £400m investment in the Scottish Child Payment scheme, £750m for affordable homes in Scotland and reforms to planning for renewable energy.

The Scottish Parliament Information Centre (SPICe) published a [detailed analysis of the PfG](#), addressing the Scottish Government's three national missions and implications for local government, as well as a section on each main policy portfolio.

- 9.2. A [joint statement with COSLA](#) regarding Reinforced Autoclaved Aerated Concrete (RAAC) in schools in Scotland, following inspections carried out by local authorities. Data from the inspections showed that there were 16 councils which had identified schools as containing RAAC, with those councils confirming that mitigations are in place in accordance with guidance from the Institute of Structural Engineers. More information on RAAC can be found in [Appendix 2](#) of this report.

Policy areas

10. The following announcements and publications were made during September.

11. Health and Social Care:

- 11.1. Publication of [recommendations for improving care regulation](#) in Scotland. The Independent Review of Inspection, Scrutiny and Regulation in Scotland makes 38 recommendations including updating legislation, Health and Social Care Standards and regulatory bodies' powers of intervention and enforcement. It also highlights a need for the system to 'rebalance', increasing the focus on continuous improvement and being more inclusive of the voices of people receiving social care support.
- 11.2. A [consultation on the future of the Minimum Unit Pricing policy](#), including a proposal to increase the minimum unit price of alcohol from 50p to 65p per unit. Views are being sought on whether to continue the Minimum Unit Pricing (MUP) legislation beyond the current term which ends next April, and the level at which it should be set. (*This is also featured in the Consultations section at the end of this report.*)

12. Social Security and Communities:

- 12.1. The [launch of the Carer Support Payment](#), a new Scottish benefit intended to replace the Carer's Allowance. Subject to Parliamentary approval the new benefit will be piloted in Perth & Kinross, Dundee City and Na h-Eileanan an Iar from November 2023, before a phased national rollout from Spring through to Autumn 2024. More than 80,000 carers will be able to receive the benefit in Scotland, including 1,500 carers who are currently ineligible for Carer's Allowance due to studying full-time.
- 12.2. The [Warm Scots Future strategy](#) for helping displaced Ukrainians living in Scotland settle into communities and gain longer-term housing. The new strategy, developed in collaboration with the Scottish Refugee Council and COSLA, sets out priorities for the next phase of Scotland's Ukraine response, including reducing the use of temporary accommodation, boosting access to settled housing, and keeping human

rights at the heart of all integration efforts. To support these priorities, more than £1.5 million is being made available to third sector organisations to benefit Ukrainians, while local authorities will also receive £3.2 million to support staffing of resettlement teams. This is in addition to £30 million being distributed to councils to support Ukrainians into sustainable housing, including through private and social renting.

13. Other policy areas

- 13.1. Confirmation of the approval by MSPs of a [final extension of tenant protections](#) under the Cost of Living (Tenant Protection) Act. The extension means that measures such as a 3% cap on most in-tenancy private rent increases and a pause on enforcement of evictions except in specific circumstances will now be in place until March 2024 at the latest. Social rented sector tenants are protected by the voluntary agreement reached with social landlords on below-inflation rent increases for this financial year.
- 13.2. Publication of the [Agriculture and Rural Communities Bill](#), intended to introduce a new framework of support to replace the current Common Agricultural Policy, with the aim of supporting farmers and crofters to produce food sustainably, work with nature and reduce emissions. The Bill provides for a payments framework that incentivises low carbon approaches to improve the resilience, efficiency and profitability of the sector.

COSLA

14. COSLA issued the following publications and announcements during September:

- 14.1. Local authorities will be able to [charge a premium of up to 100% on council tax](#) for second homes under legislation aiming to increase the availability of housing. If approved by Parliament, this legislation would bring second homes, of which there are more than 24,000 in Scotland, into line with long-term empty homes, which can already be subject to a 100% premium on the full rate of council tax.
- 14.2. A [joint statement with the Scottish Government on building safety](#) in relation to the presence of Reinforced Autoclaved Aerated Concrete (RAAC) in schools in Scotland, emphasising local authorities' focus on the safety of people in Scotland's schools and all other council buildings, the regular inspections carried out on buildings across councils' estates, and the mitigations or closures put in place as required.
- 14.3. The joint announcement with the Scottish Government of the [Warm Scots Future strategy](#) for helping displaced Ukrainians living in Scotland to settle into communities and gain longer-term housing, supported by £3.2 million of funding for councils in 2023-24 to support staffing of local authority resettlement teams.
- 14.4. A statement welcoming the final report from the [Children and Young People's Mental Health and Wellbeing Delivery Board](#), co-chaired by COSLA and the Scottish Government. The Board has highlighted the need to: retain a focus on prevention and early intervention; prioritise work to support care experienced children and young people in vulnerable situations and providing crisis support; support policy coherence across the complex mental health policy landscape; and build on connections between mental health supports and services.

UK local government

15. In early September it was widely reported that [Birmingham City Council has issued a section 114 notice](#), as it faces a £87m budget gap this year and the equal pay liability of three-quarters of a billion pounds. The authority has faced costs and setbacks, most notably an outstanding equal pay liability (£650m-760m, on top of the £1.1bn it has already paid), as well as the 2022 Commonwealth Games and a faltering IT system implementation.
16. The Accounts Commission has contributed to subsequent media articles analysing whether a similar situation could arise in Scotland – including on [Public Finance, Scotland on Sunday](#) and [BBC News](#).
17. A briefing on the differences between the English and Scottish local government finance frameworks and the safeguards in place in Scotland is available in [Appendix 3](#) of this report, and there's useful background information on what a section 114 notice in England means in practice in this [summary by the Local Government Information Unit](#).

Scottish Parliamentary committees

18. During September, Parliamentary committee business was as follows.

Local Government, Housing and Planning (LGHP) Committee

19. The [LGHP Committee](#) took evidence on:
 - Post-Legislative Scrutiny of the Community Empowerment Act 2015
 - New Deal with Local Government
 - Pre-Budget Scrutiny
 - Building (Scotland) Amendment Regulations 2023
 - Cost of Living (Tenant Protection) (Scotland) Act 2022 (Amendment of Expiry Date) (No. 2) Regulations 2023.
20. The committee also considered its approach to:
 - its inquiry into Community Councils
 - scrutiny of the impact of defective Reinforced Autoclaved Aerated Concrete (RAAC) elements in public buildings in Scotland
 - scrutiny of the draft Climate Change Plan.

Public Audit Committee

21. The [Public Audit Committee](#) took evidence on:
 - How the Scottish Government is set up to deliver climate change goals: Governance and risk management arrangements for net zero targets and adaptation outcomes
 - Criminal courts backlog
 - New vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802
 - Adult mental health (including from Christine Lester on behalf of the Commission).

Finance and Public Administration (FPA) Committee

22. The [FPA Committee](#) took evidence on:

- The Scottish Fiscal Commission's Forecast Evaluation Report and Paper on Productivity and Fiscal Sustainability
- The Scottish Government's public service reform programme
- The sustainability of Scotland's finances
- National Care Service (Scotland) Bill Financial Memorandum
- Land and Buildings Transaction Tax (Green Freeports Relief) (Scotland) Order 2023.

Other Committees

23. The [Constitution, Europe, External Affairs and Culture Committee](#) took evidence on Pre-Budget Scrutiny with a focus on the culture sector.

24. The [Education, Children and Young People Committee](#) took evidence on Pre-Budget Scrutiny, the Independent Review of Qualifications and Assessment, and the Scottish Attainment Challenge, and considered its approach to a Stage 1 report on the Disabled Children and Young People (Transitions to Adulthood) (Scotland) Bill.

25. The [Equalities, Human Rights and Civil Justice Committee](#) took evidence on Pre-Budget Scrutiny 2024-25, received a briefing from the Scottish Government's Bill Team on the United Nations Convention on the Rights of the Child (Incorporation) (Scotland) Bill, and considered a draft report on Asylum Seekers in Scotland.

26. The [Health, Social Care and Sport \(HSCS\) Committee](#) took evidence on:

- Winter planning 2023-24
- Programme for Government 2023-24
- Pre-Budget Scrutiny 2024-25.

27. The HSCS Committee also considered its work on:

- Experiences of the Complex Mesh Surgical Service
- Healthcare in remote and rural areas
- Inquiry into female participation in sport and physical activity (draft report).

28. The HSCS Committee also held a [joint meeting](#) with the Criminal Justice Committee and the Social Justice and Social Security Committee on tackling drug deaths and drug harm.

29. The [Net Zero, Energy and Transport Committee](#) took evidence on Scottish Government priorities relevant to the Committee's remit, the Circular Economy (Scotland) Bill and the Deposit and Return Scheme for Scotland (Miscellaneous Amendment) Regulations 2023.

30. The [Social Justice and Social Security Committee](#) took evidence on Child Poverty and Parental Employment, Social Justice Priorities, Pre-Budget Scrutiny 2024-25, and the Carer's Assistance (Carer Support Payment) (Scotland) Regulations 2023.

Other publications and updates

Improvement Service

31. In September, the Improvement Service published the following “insight articles”:

- 31.1. [The Spatial Hub](#) – a website which collects data from local authorities and other partner organisations, transforms and joins it all together to form Scotland-wide datasets available to everyone.
- 31.2. [Scotland's Children's Rights Journey](#) – looking at how children's rights have evolved in Scotland and what the United Nations Convention on the Rights of the Child Bill aims to achieve, as it comes back to the Scottish Parliament for reconsideration.
- 31.3. The [Place Standard Tool and Place and Wellbeing Outcomes](#) – plotting the similarities and differences between two key tools for creating better places.
- 31.4. [Improvement in the Planning System](#) – an article by Scotland's new National Planning Improvement champion on how he intends to work with planning authorities and others to create a high performance planning system.

SPICe

32. In September, the [Scottish Parliament Information Centre \(SPICe\)](#) published blog posts on:

- [RAAC in Scottish public buildings](#)
- [Covid-19: Where are we now?](#)
- [The 2023-24 Programme for Government](#) (detailed analysis)
- [Disability employment in Scotland](#) (a guest blog from the Fraser of Allander Institute).

Care Inspectorate

33. The Care Inspectorate issued the following publications in September:

- 33.1. [“Staff vacancies in care services 2022”](#), which shows that the number of care services reporting staff vacancies is at the highest level since publication of figures began in 2017, with nearly half of all care services in Scotland reporting vacancies at the end of 2022. Almost two-thirds of services with vacancies reported having problems filling them, with the most common themes being too few sufficiently qualified applicants.
- 33.2. [“Care Home Report 2020-2022”](#) which aims to highlight the key themes from their work completed in registered care home services for adults and older people between 1 April 2020 and 31 December 2022.
- 33.3. A [“secure care pathway review”](#), which found that timely support, availability and access to the right kind of educational, legal, health and community support is not always available for children and young people with experience of – or who may require – secure care. The report does highlight positive examples of staff working together to provide support for young people, as well as key areas for improvement.

Updates on previous queries

34. This section is intended to follow up on actions arising from questions or queries raised during discussion of the Secretary's report at recent Commission meetings. These updates have also been added to the Accounts Commission action tracker, an updated copy of which is shared with members alongside the papers for each meeting.
35. At the August Commission meeting, the then Interim Secretary was asked to look into who is responsible for auditing Circularity Scotland – the body set up to oversee the Scottish Government's Deposit Return Scheme.
36. Circularity Scotland was exempt from audit for their most recent published accounts (for 2021) by virtue of being a small company under the Companies Act. The accounts for 2022 were due by the end of September 2023, but at the time of writing they had not been filed. It's worth noting, however, that the company is now in administration and in the process of being wound up.
37. At the September Commission meeting, the then Interim Secretary and the Controller of Audit were asked where responsibility lies for auditing the funding for advice agencies that was referred to in the Secretary's report.
38. This will form part of next year's audit of the Scottish Government. The funding is allocated to third parties on behalf of the Scottish Government by Advice UK. Standard arrangements are that audit will take place at the third party level and assurance or audit returns will be provided to Advice UK who will provide a statement to the Scottish Government.

Consultations

39. The following consultations were opened this month.
 - 39.1. [Quality prescribing for respiratory: a guide for improvement 2024-2027](#) (closing date: 31 October): This guidance seeks to improve outcomes for people with respiratory disease – a major driver of health inequalities with a high prevalence in the most deprived areas. It covers minimising over-reliance on short acting reliever inhalers, supporting use of propellant free inhalers, and ensuring safe disposal of inhalers.
 - 39.2. [Tackling the Nature Emergency: Consultation on Scotland's Strategic Framework for Biodiversity](#) (closing date: 14 December): This Scottish Government consultation seeks views on a range of topics and proposals relating to biodiversity, specifically three parts of the Biodiversity Strategic Framework: the Scottish Biodiversity Strategy; the first five-year Delivery Plan; and the proposed Natural Environment Bill.
 - 39.3. [Healthcare in Remote and Rural Areas](#) (closing date: 20 October): The Health, Social Care and Sport Committee is seeking views – from anyone who uses healthcare services, works in the health and social care sector, or has an interest in remote and rural healthcare – on what policies and actions would be most effective in addressing the issues people face when accessing healthcare in remote and rural areas.
 - 39.4. [Alcohol: Minimum Unit Pricing \(MUP\): Continuation and Future Pricing](#) (closing date: 22 November): The Scottish Government is consulting on whether MUP should be continued as part of the range of policy measures to address alcohol-related harm, and if so, the level the minimum unit price should be set going forward. MUP was first

implemented in May 2018, at 50p per unit, and current provisions are due to expire on 30 April 2024 unless Scottish Ministers make new legislation to continue them.

39.5. [National Marine Plan 2 Strategic Environmental Assessment \(SEA\) Scoping Report](#) (closing date: 30 October): The scoping report sets out the proposed scope, level of detail and an early consideration of potential environmental impacts for the SEA of National Marine Plan 2, together with a description of the proposed assessment methodology. Feedback provided via this consultation will feed into the SEA process.

40. The Commission Support Team recommends:

- That the Commission asks the Executive Director of Performance Audit and Best Value to consider how best to respond to the above consultations – taking into account any views expressed by Commission members – and drafts responses as appropriate.

Appendix 1: Quarterly publication statistics

The table below shows the number of downloads of reports, or page views of blogs and web content, in each quarter of 2023/24, for publications issued by or relating to the Accounts Commission in 2023.

Future reports where these statistics are presented will use graphs to illustrate the figures and include some commentary on trends and any potential conclusions.

Publication	Type	Date	Q1	Q2*
Local Gov financial bulletin 2021/22	Report	12 Jan	432	438
Public sector gender pay gap reporting	Web	07 Feb	243	188
Resourcing the benefit service	Report	15 Feb	131	92
Reporting on housing benefit services	Blog	15 Feb	31	10
Financial response to Covid-19	Web	29 Mar	723	594
Learning lessons of Covid-19	Blog	29 Mar	135	73
Progress on education data	Blog	30 Mar	273	125
IJBs financial analysis 2021/22	Report	06 Apr	886	243
Mainstreaming equality 2021-23	Web	25 Apr	590	124
Homelessness affects us all	Blog	27 Apr	696	102
Local Government Overview 2023	Report	17 May	1,881	1,159
Local Government Overview 2023	Web	17 May	2,450	684
Early learning and childcare	Report	01 Jun	1,238	533
Public audit in Scotland 2023-28	Report	20 Jun	249	453
City Region and Growth Deals	Report	22 Jun	416	480
Accounts Commission annual report	Report	29 Jun	60	229
S102 Glasgow equal pay	Report	24 Aug	n/a	174*
Adult mental health	Report	13 Sep	n/a	1,341*
Best Value in Scotland	Report	26 Sep	n/a	242*
20 years of Best Value reporting	Blog	26 Sep	n/a	105*

Appendix 2: Background information on RAAC

What is RAAC?

RAAC is Reinforced Autoclave Aerated Concrete, which is a type of concrete used mostly in the 1960s to 1990s, often in flat roofs. It was cheaper to build than standard concrete, but is prone to degradation over time, especially if the roofs have not been properly maintained and water gets into the concrete.

What buildings are affected?

There is currently not a comprehensive picture of buildings which contain RAAC across the Scottish public sector. Councils were asked to report on its presence in schools by 8 September, and at this point 16 councils reported a total of 39 schools that were affected.

The extent to which those schools are affected varies from full closure to no impact. Councils and the Scottish Government are working to advice from the Institute of Structural Engineers on their approach, which determines whether a building will close.

Other buildings within councils may also be affected, for example North Lanarkshire has identified 400 council homes which may have RAAC and has shut its Motherwell concert hall following a survey of the roof.

The Scottish Parliament Information Centre (SPICe) has produced a [briefing on RAAC in Scottish public buildings](#) which Commission members may find helpful.

How much will it cost to fix?

The cost of addressing these issues is likely to be substantial, but the overall cost to councils is not known at this stage.

West Lothian Council expects the total cost across its estate will be £76.8 million, while East Lothian Council estimates that costs relating to one school are around £3.8 million.

The Scottish Government wrote to the UK Government on 16 August and 3 September to clarify the funding support that would follow to devolved Governments. We are not currently aware of a response.

Appendix 3: Scottish council finances – audit safeguards

Key points

There are important differences between Scottish and English local government finance:

- Scottish councils benefit from **consistent audit oversight**, with their accounts audited and scrutinised annually by the Accounts Commission – in contrast to England where the Audit Commission, which had been responsible for this, was scrapped in 2015
- Councils in Scotland are not able to, or have not been forced to, enter into the sort of **high-risk investments or commercial ventures** that were pursued by many of the English councils that have been affected, such as Slough, Thurrock and Woking
- Scottish councils do not have the same statutory obligation to balance the budget as councils in England – there is **no Section 114 process** of ceasing non-essential spending in Scotland – but they are obliged to ensure sound financial management.

The Controller of Audit and the Accounts Commission have an important role to play in providing assurance on this issue in Scotland.

Actions that a Section 95 officer should take if they have concerns

Scottish councils' chief financial officers (s95 officers) are advised to take the following steps:

1. Give an **informal indication to the council's Chief Executive** about potential financial difficulties, and attempt to secure immediate remedial action.
2. Conduct informal **consultation with the council's internal and external auditors**.
3. If necessary, **submit a report to the full council** highlighting concerns about the ability to achieve a balanced budget, for consideration within 21 days.
4. **Prohibit any new agreements incurring expenditure** until the full council has considered that report.
5. Seek a **report from the full council specifying the actions to be taken in response** and the planned timescales, with copies of that report sent to every member of the council and to the external auditor.

Section 102 reports by the Controller of Audit

Where a council does not take the appropriate action in response to a report by the section 95 officer, or such a report is not prepared where auditors consider it necessary, auditors should advise Audit Scotland so the Controller of Audit can take appropriate action.

Such action may include a report to the Accounts Commission under section 102 of the Local Government (Scotland) Act 1973. In practice, a s102 report is likely where a s95 officer has reported significant concerns, regardless of actions subsequently taken or not taken.