

# 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

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## 2022/23 Annual Accounts

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

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# Introduction

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**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](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

**3.** I, Fiona Mitchell-Knight (Audit Director), have been appointed by the Accounts Commission as auditor of 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.

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# 1. Audit of 2022/23 Annual Accounts

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

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## Main judgements

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

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

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

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.

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

**12.** The Annual Accounts for the council and its group for the 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](#).

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## Exhibit 1

### Materiality values for the council and its group

| Materiality   | Council         | Group           |
|---|-----------------|-----------------|
| <b>Overall materiality:</b> This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2023. | £12.270 million | £12.280 million |
| <b>Performance materiality:</b> This acts as a trigger point. If the aggregate of errors identified during the Annual Accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of overall materiality.       | £7.975 million  | £7.980 million  |
| <b>Reporting threshold:</b> We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.  | £0.250 million  | £0.250 million  |

Source: Audit Scotland

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## Identified misstatements of £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><b>1. Accounting for property, plant, and equipment</b></p> <p>Our testing of the council's property, plant and equipment identified the following issues:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• An adjustment of £4.029 million was required for a duplicate asset included in the valuations.</li> <li>• 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.</li> <li>• A depreciation charge was omitted from 80 assets. This resulted in an adjustment of £3.693 million.</li> <li>• Two assets had a negative net book value. This resulted in an adjustment of £1.073 million to bring them to zero.</li> <li>• 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.</li> <li>• Valuations relating to 135 HRA lock ups had not been appropriately updated. This resulted in an adjustment of £1.327 million.</li> </ul> | <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><b>Recommendation 1</b></p> <p>(See <a href="#">Appendix 1</a>, action plan)</p> |

| Issue  | Resolution  |
|--|---|
| <p><b>2. Pension balance</b></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.

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## **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.

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### **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><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p> | <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><b>Results:</b> 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. <a href="#">Paragraph 85</a> 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><b>Conclusion:</b> No instances of management override of controls were identified.</p> |

| Audit risk  | Assurance procedure   | Results and conclusions   |
|---|---|---|
| <p><b>2. Significant estimation and judgment: other land and buildings, council dwellings and schools PPP valuations</b></p> <p>The council held other land and buildings, including its council dwellings and school PPP estate, with a net book value of more than £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><b>Risk:</b> 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><b>Results:</b> 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><b>Conclusion:</b> 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*).



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## 2. Best Value

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

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### Conclusions

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.

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### 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.

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# 3. Financial management

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

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## Conclusion

The council 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.

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## 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   |
|----------------------------------|----------------|---|
| <b>Underspends</b>               |                |   |
| 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<br>£'million | 31 March 2022<br>£'million | 31 March 2023<br>£'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                     |
| <b>Total usable reserves</b> | <b>£59.913</b>             | <b>£58.941</b>             | <b>£61.798</b>             |

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.

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### **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.

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## **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.

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# 4. Financial sustainability

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

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## Conclusion

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

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.

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

Source: Medium-Term Financial Plan Update November 2022

**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.

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# 5. Vision, leadership and governance

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

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## Conclusion

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.

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## 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.'

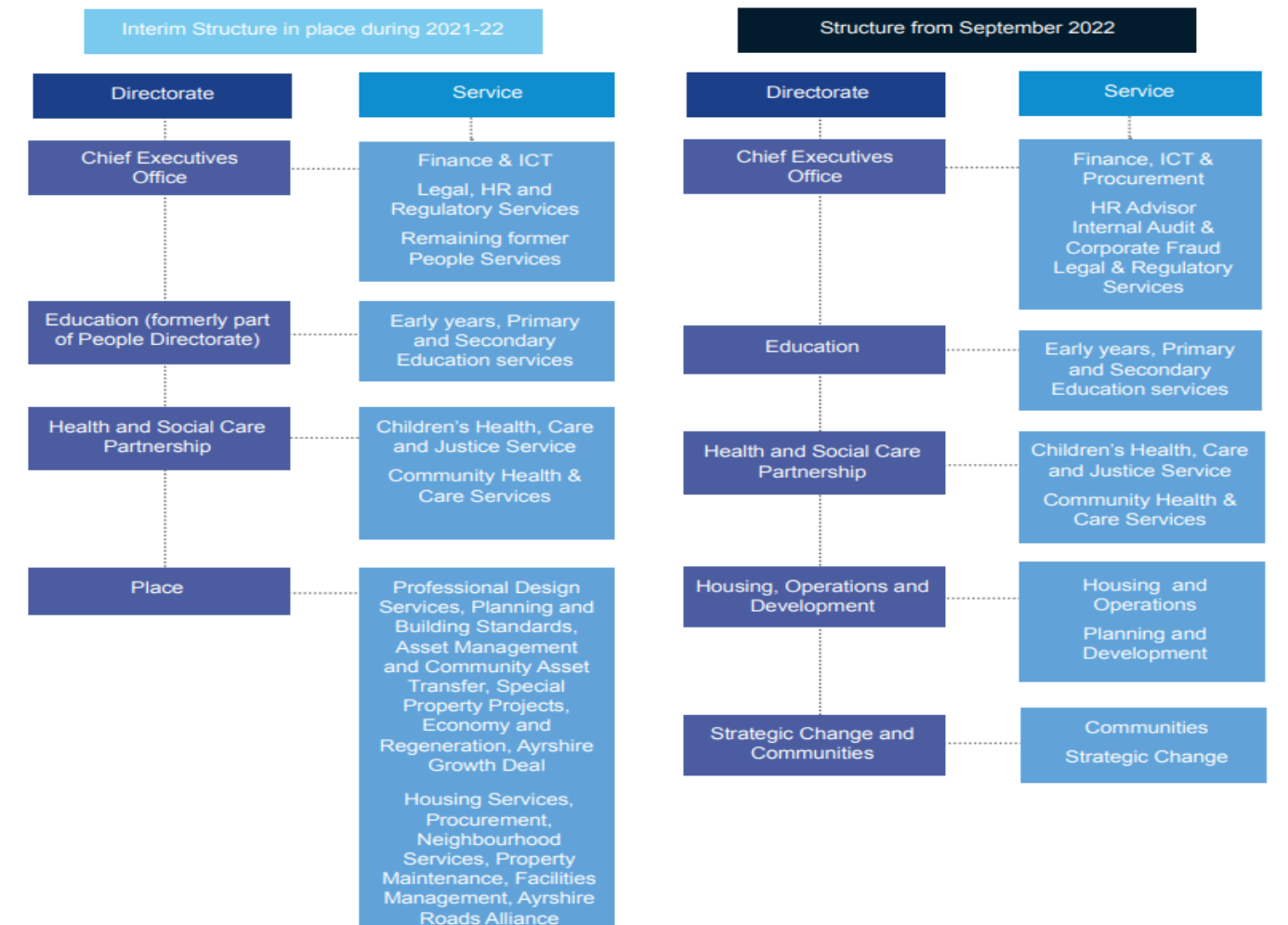
**121.** In response to this, the Chief Executive was tasked with bringing forward structural revisions that better reflect the current challenges and priorities of the council. Proposals were developed by the Chief Executive in November 2021 to split the Depute Chief Executive/ Director of Education 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.

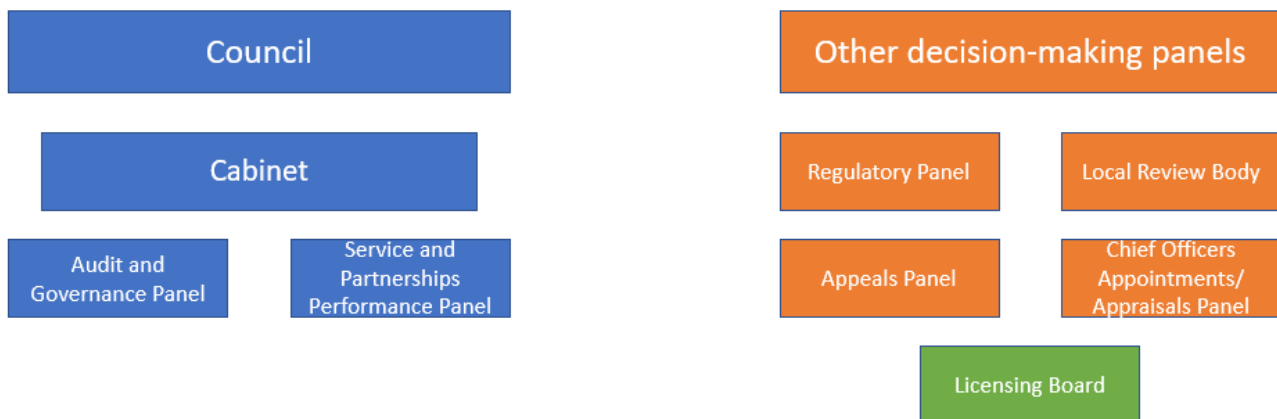
- merger of the Service and Performance and Partnerships Panels - Chair (Labour Group) and increase membership to eight elected members including Chair.
- membership of the new Service and Partnerships Performance Panel, to comprise members as follows: Labour (1), SNP (4) and Conservative (3).

**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.

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# 6. Use of resources to improve outcomes

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

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## Conclusions

The council's 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.

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### **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:

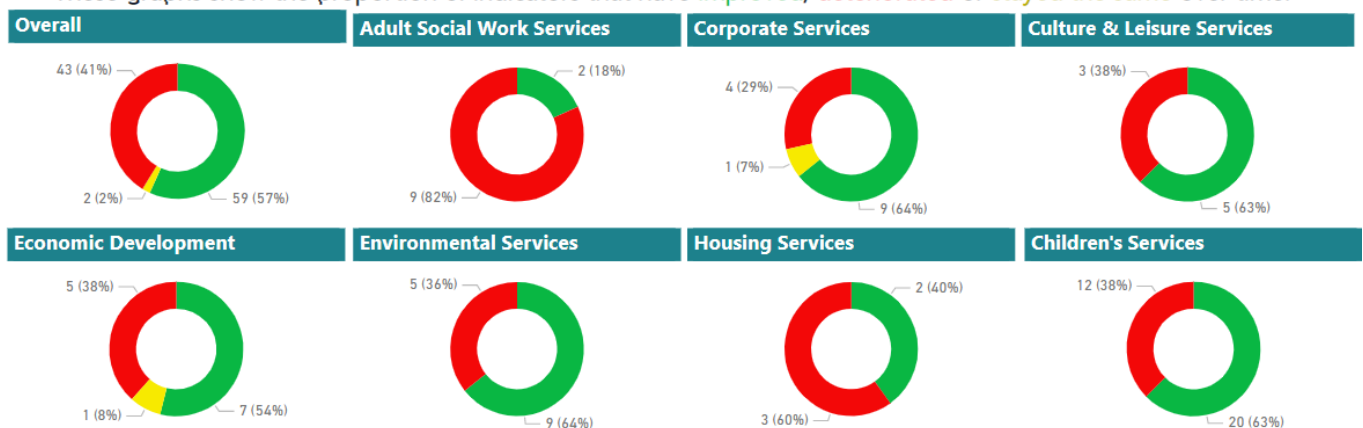
- 34% of the measures improved.
- 29% declined.
- 8% remained stable.
- 10% were not comparable.
- 16% had no data.
- 4% were new with only baseline data.

**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><b>1. Accounting for Property, Plant and Equipment (PPE)</b></p> <p>We identified a number of issues in our testing of PPE.</p> <p><b>Risk:</b> 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><a href="#">Exhibit 2</a></p> | <p><b>Management response</b></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><b>Responsible Officer</b></p> <p>Head of Finance, ICT and Procurement and Service Lead – Asset Management and Community Asset Transfer.</p> <p><b>Actioned by</b></p> <p>30 June 2024.</p> |
| <p><b>2. Matrix approach for revaluations</b></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><a href="#">Paragraph 30</a></p>   | <p><b>Management response</b></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><b>Responsible Officer</b></p>   |

| Issue/risk   | Recommendation  | Agreed management action/timing  |
|--|---|--|
| <p><b>Risk:</b> 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><b>Actioned by</b><br/>30 June 2024.</p>  |
| <p><b>3. Control improvement: journal authorisation</b></p> <p>Some staff can approve their own journals.</p> <p><b>Risk:</b> 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><a href="#">Paragraph 85</a></p>              | <p><b>Management response</b></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><b>4. Control improvement: payroll validation</b></p> <p>There is currently no payroll validation exercise in place to confirm that only current employees are getting paid.</p> <p><b>Risk:</b> 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><a href="#">Paragraph 85</a></p> | <p><b>Management response</b></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><b>Responsible Officer</b><br/>Chief HR Adviser.</p> <p><b>Actioned by</b><br/>31 March 2024.</p> |

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

| Issue/risk   | Recommendation  | Agreed management action/timing  |
|--|---|--|
| <p><b>1. Effective and timely performance reporting</b></p> <p>The council failed to effectively measure its performance against targets for the priorities in the Council Plan to March 2023.</p> <p>To help support challenge of services and focus of improvement actions, regular reporting of performance to elected members against the new council priorities is key.</p> <p>A framework is due to be discussed with members in June.</p> | <p>A balanced view of progress against the council plan priorities should be reported regularly to members.</p> <p>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><b>Management response</b></p> <p>New Council Plan reporting format for Council Leadership Team reports and Service and Partnerships Performance Panel reports included in Performance Management Framework report to June Cabinet.</p> <p>Officers will review new reporting format to ensure that it reflects the Accounts Commission's Statutory Performance Information Direction.</p> <p><b>Responsible Officer</b><br/>Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b><br/>30 August 2023.</p> |
| <p><b>2. Place Plans</b></p> <p>The Community Empowerment (Scotland) Act 2015 requires the publication of 'place plans'. These were to be in place by October 2017.</p> <p>The council has adopted a place-based approach to its new Council Plan. It has</p>  | <p>To ensure the effective delivery of local outcomes, the council should publish the remaining Place Plans.</p>  | <p><b>Management response</b></p> <p>Ongoing dialogue with elected members on the details of the Place Plans can be used to advance place-based activity.</p> <p><b>Actioned by</b><br/>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 &amp; Regeneration Services.</p> <p><b>Responsible Officer</b></p> <p>Assistant Director - Communities.</p> <p><b>Actioned by</b></p> <p>31 December 2023.</p> |
| <p><b>3. Council Plan – cross cutting impact assessment</b></p> <p>In the Council Plan there are several cross-cutting themes, one of which is equalities. These themes are to be considered when decisions are made. A new Impact Assessment approach is</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><b>Management response</b></p> <p>Officers continue to develop Integrated Impact Assessment Tool including clear proposals for reporting and analysis. A report will be submitted to Cabinet for approval.</p>  |



| Issue/risk  | Recommendation  | Agreed management action/timing   |
|---|---|---|
| <p>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><b>Responsible Officer</b></p> <p>Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b></p> <p>30 September 2023.</p>   |
| <p><b>4. Approach to self-evaluation of performance</b></p> <p>There has been a gap in the council's self-evaluation of service performance at the council since the Covid-19 pandemic.</p> <p>The council need to do more to challenge how services are delivered.</p> | <p>The plans to reintroduce a corporate approach to self-evaluation need to be progressed.</p> <p>The council's self-evaluation should include an understanding of its performance in relation to other councils.</p> | <p><b>Management response</b></p> <p>Officers and members will re-establish approaches to self-evaluation across the council using How Good Is Our Council (HGIOC) to develop a framework to support ongoing evaluation for improvement.</p> <p><b>Responsible Officer</b></p> <p>Service Lead - Performance, Policy and Community Planning.</p> <p><b>Actioned by</b></p> <p>31 December 2023.</p> |

## Follow-up of prior year recommendations

| Issue/risk   | Agreed management action/timing  |
|--|--|
| <p><b>b/f 1. PPE valuations</b></p> <p>The property valuer should introduce as part of the annual valuations, similar to the exercise carried out as part of the audit to documentation their consideration of those assets not subject to valuation in the year to demonstrate that the carrying amount does not differ significantly from the current value.</p> | <p><b>Closed</b></p> <p>The 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><b>b/f 2. Infrastructure assets</b></p> <p>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><b>Closed</b></p> <p>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> |

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# South Ayrshire Council

## 2022/23 Annual Audit Report

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