

County Buildings  
Wellington Square  
AYR KA7 1DR  
Telephone No. 01292 612102



27 November 2024

**To: Councillors Dettbarn (Chair), Bell, Cullen, Kilpatrick, Lamont, McGinley, Ramsay and Weir**

**All other Elected Members for information only**

Dear Councillors

## **AUDIT AND GOVERNANCE PANEL**

You are requested to participate in the above Panel to be held **on Wednesday, 4 December 2024 at 10.00 a.m.** for the purpose of considering the undernoted business.

This meeting will be held in the County Hall County Buildings, Ayr on a hybrid basis for Elected Members, will be live-streamed and available to view at <https://south-ayrshire.public-i.tv/>

**Yours sincerely**

**CATRIONA CAVES**  
**Chief Governance Officer**

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

1. Declarations of Interest.
2. Call-ins from Cabinet.
3. Minutes of previous meeting of 6 November 2024 (copy herewith).
4. Action Log and Work Programme (copy herewith).
5. Audit and Governance Panel – 2024 Annual Self-Assessment Outcome – Submit joint report by the Chief Financial Officer and Chief Governance Officer (copy herewith).
6. Corporate Fraud Team – Activity Report and National Fraud Initiative Update – Submit report by the Chief Executive (copy herewith)

7. Treasury Management and Investment Strategy Mid-Year Report 2024/25 – Submit report by the Chief Financial Officer (copy herewith).

For more information on any of the items on this agenda, please telephone Jill Butchart, Committee Services on 01292 612102, Wellington Square, Ayr or  
e-mail: [committeeservices@south-ayrshire.gov.uk](mailto:committeeservices@south-ayrshire.gov.uk)  
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**AUDIT AND GOVERNANCE PANEL.**

Minutes of a hybrid webcast meeting on 6 November 2024 at 10.00 a.m.

Present in  
County Hall: Councillors Julie Dettbarn (Chair), Chris Cullen, Alan Lamont, Brian McGinley, Cameron Ramsay and George Weir.

Present  
Remotely: Councillor Mary Kilpatrick

Also  
Present  
Remotely: Councillor Ian Cochrane (for item 2 only)

Apology: Councillor Kenneth Bell

Attending in  
County Hall: W. Carlaw, Service Lead – Democratic Governance; T. Baulk Chief Financial Officer; C. Caves, Chief Governance Officer; T. Eltringham, Director of Health & Social Care; G. Hunter – Assistant Director, Communities; J. Tait, Service Lead – Thriving Communities; J. Bradley, Director of Communities & Transformation; C. McGhee, Chief Internal Auditor; J. Butchart, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending  
Remotely: M. Newall, Chief Executive; and L. Duncan, Chief Finance Officer, Health and Social Care.

**Opening Remarks.**

The Chair

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

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

The Chair called the Sederunt for the meeting and, having called the roll, confirmed that there were no declarations of interest by Members in terms of Council Standing Order No. 17 and the Councillors' Code of Conduct.

**2. Call-in from Cabinet of 29 October 2024 “Community Councils - Amendments to the Scheme for Establishment of Community Councils”**

Reference was made to the Minutes of the Cabinet of 29 October 2024 (Page 2, paragraph 4) where the Cabinet decided

- (1) to update the Scheme for Establishment to reflect administrative changes to the Scheme as highlighted in red in Appendix 1 to the report; and
- (2) to approve the name of Dunure Community Council to be changed to Fisherton and Dunure Community Council following a request from Dunure Community Council.

The Panel was advised that the decision had been the subject of a call-in.

Councillor Cochrane spoke to the call-in and advised that, as the Cabinet was formed by the Administration and was a political forum this opened up the Council to accusations of political bias. He further advised that the call in proposed the substitution of the word “Council” for the word “Cabinet” where it occurred in the Report in relation to dissolution of a Community Council. The Chief Governance Officer advised that the call-in was competent and that it would be a decision for Members as to whether the more appropriate decision making forum was Council rather than the Cabinet. She also stated that the Scheme of Delegation would require to be amended if the motion was approved.

A Member enquired about the process involved in dissolving a Community Council prior to it being heard at the Cabinet; and The Service Lead - Thriving Communities advised that the Scheme of Establishment had been approved in 2020 and requests came direct from Community Councils and were then brought to Cabinet to be approved. He also outlined that all Community Council Chairs and Secretaries had been invited to a meeting the following day to discuss a proposal to review the Scheme in 2025.

Following a query by a Member, about Community Council consultation in relation to proposed changes to the Scheme, the Chief Governance Officer clarified that in this case, the proposed changes in the report were administrative changes to reflect internal governance arrangements within the Council, and as such were matters of fact and could not be changed and as a result, consultation was not appropriate.

A Member requested reassurance that administrative changes would not be applied unduly in the future. The Service Lead - Thriving Communities agreed and advised that there was a positive relationship with the South Ayrshire Community Councils.

A Member queried the decision for Cabinet to be used within the Scheme of Delegations when dealing with Community Councils and if previously it was Council and also enquired about the way such changes would be dealt with going forward. The Service Lead - Democratic Governance responded saying that historically the Public Processes Panel had dealt with Community Council business, however, this no longer existed and that there was a specific Delegation in the Scheme of Delegation at 4.4.3 which was the reasoning for Cabinet.

A Member stated that it was helpful that a clear process for dissolution of a Community Council had been set out, though given the seriousness of the issue, it was anticipated that such a decision would be a matter of last resort.

The Panel

**Decided:** to approve the recommendation for the report of 29 October 2024 to be brought back to Cabinet and the word “Council” to be substituted for the word “Cabinet” where it occurred in the report in relation to any proposed dissolution of a Community Council; and that corresponding changes to the Council’s governance documents reflect this change.

### 3. **Minutes of Previous Meetings.**

The Minutes of the meetings of 26 September 2024 (issued) and 2 October 2024 (issued) were submitted and approved.

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

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

A Member enquired if items 4 and 5 would be brought to the December meeting of the Audit & Governance Panel. The Chief Financial Officer confirmed they would be.

The Panel

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

## **Internal Audit**

### 5. **Internal Audit Plan 2024/25 Midyear review**

There was submitted a report (issued) of 25 October 2024 by the Chief Internal Auditor which sought approval for a revision to the 2024/25 Internal Audit plan.

A Member enquired if resources became available would items which were being proposed to be dropped be revisited. The Chief Internal Auditor advised that the reserve list would be looked at if resources became available.

A Member enquired about follow up reviews and participatory budgets and asked if this would go onto the reserve list. The Chief Internal Auditor advised that when this was concluded the action dates agreed fell into 2005/26 so could not be followed up this year, however it would be included in next year’s plan.

A Member asked for re-assurances with regard to absenteeism, that the Department had been receiving support and assistance from Human Resources .. The Chief Internal Auditor confirmed support had been put in place and issues had been addressed.

The Panel

**Decided:** to approve the revised 2024/25 Internal Audit plan.

## 6. **Internal Audit – Progress Report (Quarter 2 2024/25)**

There was submitted a report (issued) of 25 October 2024 by the Chief Internal Auditor advising Members of progress of the 2023/24 internal audit plan, progress of the 2024/25 internal audit plan, directorate's progress against implementation of internal audit action plans and the status of the current Quality Assurance and Improvement Action Plan.

A Member requested clarification as to whether the twenty eight deliverable assignments mentioned on page 3, item 4.8 comprised the list at appendix 2. The Chief Internal Auditor confirmed the twenty eight items on the list were the deliverable assignments where an audit report with an assurance would be produced.

A Member commented on the progress of the EE mast at Riverside Place and enquired if there was any further update on this. The Chief Internal Auditor advised there was no update and this was the latest position, however, she would go back to the relevant department and enquire if they had any further update.

The Panel

**Decided:** to approve the report.

## **External Audit**

### 7. **South Ayrshire IJB External Annual Audit Report 2023-24**

There was submitted a report (issued) of 25 October 2024 by the Director of Health and Social Care Partnership presenting Audit Scotland's Annual Audit Report on South Ayrshire IJB's Annual Accounts for the period 2023-24.

A Member enquired about the underspend due to unfilled vacancies and asked if there was a plan to fill these vacancies. The Director of Health and Social Care confirmed that progress had been made this year and that most posts with Allied Health Professionals had been filled, however there was a challenge in recruiting and retaining care at home staff and currently had a 5% shortfall. He also advised that the Health & Social Care Partnership was forecasting a modest overspend this year. The Chief Financial Officer, Health & Social Care confirmed there was a £1 million overspend and that the main pressure going into 2025/26 was residential care demand, mental health funding and a reduction in multi discipline team funding.

A Member asked for clarification on the national performance measures at exhibit 5 and how these were being impacted upon and what the other pressing needs were. The Director of Health and Social Care confirmed that although there had been marginal improvement there was still work to be done. He advised that work was ongoing with Ayr and Crosshouse Hospitals to look at the development of a frailty ward.

The Panel

**Decided to:**

- (1) consider the Annual Audit report of South Ayrshire IJB for period 2023-24
- (2) note the contents of the Annual Audit report for 2023-24.

The meeting ended at 11.15 a.m.

DRAFT

## Audit and Governance Panel

Agenda Item No. 4

### Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
			NO OUTSTANDING ACTIONS			



## Audit and Governance Panel

### Work Programme 2024

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
1.	<b>Audit and Governance Panel – 2024 Annual Self-Assessment Outcome</b>	Report to Panel	Chief Financial Officer/ Chief Governance Officer	December 2024 (Annually)	Report to this Panel
2.	<b>Corporate Fraud Team - Activity Report and Update on National Fraud Initiative</b>	Report to Panel	Chief Internal Auditor	December 2024 (Biannually)	Report to this Panel
3.	<b>Treasury Management and Investment Strategy Mid-Year Update Report 2024/25</b>	Report to Panel	Chief Financial Officer	December 2024 (Quarterly)	Report to this Panel
4.	<b>External Audit Reports – Progress to 31 December 2024</b>	Report to Panel	Chief Financial Officer	January 2025	Not yet started
5.	<b>Transformation in Councils - Sector-led Change and Collaboration to Achieve Financial Sustainability</b>	Report to Panel	Depute Chief Executive and Director of Education/ Director of Communities and Transformation	January 2025	Being drafted
6.	<b>Internal Audit – Progress Report Quarter 3</b>	Report to Panel	Chief Internal Auditor	February 2025 (Quarterly)	Not yet started
7.	<b>Treasury Management and Investment Strategy Quarter 3 Update Report 2024/25</b>	Report to Panel	Chief Financial Officer	February 2025 (Quarterly)	Not yet started

## Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
8.	<b>Best Value Action Plan - Progress Report</b>	Report to Panel	Depute Chief Executive and Director of Education	February 2025 (Quarterly)	Not yet started
9.	<b>Accounting Policy change – IFRS16 implications</b>	Report to Panel	Chief Financial Officer	February 2025	Not yet started
10.	<b>Annual Audit Plan 2024/25</b>	Report to Panel	Chief Financial Officer	March 2025 (Annually)	Not yet started
11.	<b>Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)</b>	Report to Panel	Chief Internal Auditor	March 2025 (Annually)	Not yet started
12.	<b>Strategic Risk Management</b>	Report to Panel	Chief Governance Officer	March 2025 (Biannually)	Not yet started
13.	<b>Audit and Governance Panel – 2023/24 Annual Report</b>	Report to Panel	Chief Financial Officer/ Chief Governance Officer	May 2025 (Annually)	Not yet started
14.	<b>Annual Accounts 2023/24</b>	Report to Panel	Chief Financial Officer	June 2025 (Annually)	Not yet started
15.	<b>Delivering Good Governance – 2023/24 Assessment</b>	Report to Panel	Chief Governance Officer	June 2025 (Annually)	Not yet started
16.	<b>Internal Audit Annual Report 2023/24</b>	Report to Panel	Chief Internal Auditor	June 2025 (Annually)	Not yet started
17.	<b>Treasury Management Annual Report 2023/24</b>	Report to Panel	Chief Financial Officer	June 2025 (Annually)	Not yet started

## Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
18.	<b>Corporate Lets</b>	Report to Panel	Director of Communities and Transformation	June 2025 (Annually)	Not yet started
19.	<b>IJB Finance and Performance Report 2024 – Audit Scope</b>	Report to Panel	Chief Financial Officer	September 2025 (Annually)	Not yet Started
20.	<b>Internal Audit – Progress Report Quarter 1</b>	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started
21.	<b>Audit Scotland: Integration Joint Boards – Finance and Performance 2024</b>	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started
22.	<b>South Ayrshire IJB External Annual Audit Report 2023-24</b>	Report to this Panel	Director of Health & Social Care	November 2025 (Annually)	Not yet started

**South Ayrshire Council**

**Joint Report by Chief Financial Officer  
and Chief Governance Officer  
to Audit and Governance Panel  
of 4 December 2024**

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**Subject:     Audit and Governance Panel – 2024 Annual Self-Assessment Outcome**

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**1.       Purpose**

- 1.1       The purpose of this report is to confirm the outcome of the Audit and Governance Panel Self-Assessment for 2024, which was undertaken on 7 October 2024; and to seek agreement of the resulting updated action plan.

**2.       Recommendation**

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

**2.1.1       notes the outcome of the 2024 self-assessment, as set out in 4.1 to 4.6 below and related completed checklist in Appendix 1; and**

**2.1.2       approves the updated action plan for improvements per Appendix 3.**

**3.       Background**

- 3.1       At its meeting on 21 June 2024, the Council approved the Audit and Governance Panel (AGP) Annual Report for 2023/24 (following scrutiny by the AGP on 29 May 2024).
- 3.2       For 2024 officers again identified the CIPFA document 'Audit Committees: Practical Guidance for Local Authorities and Police – 2022 Edition', with particular reference to the 'Self-Assessment of Good Practice – Checklist' provided within that document, as being an appropriate mechanism for this year's self-assessment process.
- 3.3       As per the previous self-assessment, Panel members undertook the process in an informal, workshop style session, rather than within a formal Panel meeting format, being aware that the Chief Governance Officer and the Chief Financial Officer would provide a joint formal report to the AGP on the considerations and outcomes from the session.
- 3.4       In advance of the self-assessment discussion Members of the Panel were issued with the CIPFA documentation and checklist to aid the informal discussion on the day of the assessment. It was considered that this approach would allow a better opportunity for members to think through and respond to the range of questions in the Checklist.

- 3.5 The assessment took place on 7 October 2024 with seven of the eight AGP members attending, along with support from the Chief Financial Officer and the Service Lead - Democratic Governance.

#### **4. Proposals**

- 4.1 The self-assessment checklist, attached as Appendix 1, has been prepared following the discussions at the self-assessment session held on 7 October 2024 and collectively represent the views of all Members of the AGP.
- 4.2 The checklist contains 29 high level questions with several sub questions contained therein. For each question in the checklist a five-point weighted score of between zero and five is available for selection, with zero being: Major Improvement required and five being: No Further Improvement required. There are a total of 40 questions and sub questions, meaning that a maximum score of 200 is possible.
- 4.3 Appendix 1 indicates that an assessed overall score of 192 has been achieved for 2024.
- 4.4 In general terms, the outcome of the self-assessment 2024, as evidenced by the score of 192 out of 200, is an improvement in the effectiveness of the Panel, since the 2023 assessment, in undertaking its role and discharging its functions within the Council's decision-making arrangements in most respects. Appendix 2 provides a brief commentary for each question, drawn from the discussions on the day.
- 4.5 Notwithstanding the considered overall general effectiveness of the Panel, a small number of important matters were raised relative to which actions for improvement are required, and these are captured in the updated action plan provided at Appendix 3.
- 4.6 It is recommended that the AGP agrees the updated action plan for improvements per Appendix 3.

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

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

#### **6. Financial Implications**

- 6.1 Not applicable.

#### **7. Human Resources Implications**

- 7.1 Not applicable.

#### **8. Risk**

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

- 8.1.1 There are no risks associated with adopting the recommendations.

8.2/

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

- 8.2.1 Rejecting the recommendations may result in missed opportunities for strengthening the role of the AGP in providing an independent and high-level resource to support good governance and strong public financial management as laid out in CIPFA's 'Audit Committees: Practical Guidance for Local Authorities and Police – 2022 Edition'

## 9. **Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as Appendix 4.

## 10. **Sustainable Development Implications**

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## 11. **Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## 12. **Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Priority 4 of the Council Plan: Efficient and effective enabling services.

## 13. **Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers** CIPFA document - **Audit Committees: Practical Guidance for Local Authorities and Police – 2022 Edition and Self-Assessment of Good Practice – Checklist**

Report to Audit and Governance Panel of 29 May 2024 – [Audit and Governance Panel – 2023/24 Annual Report](#)

Report to South Ayrshire Council of 21 June 2024 – [Audit and Governance Panel – 2023/24 Annual Report](#)

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**Date: 25 November 2024**

# APPENDIX E

# Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

## Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?					
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement?					
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?					
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					
7	Does the governing body hold the audit committee to account for its performance at least annually?					

\* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.



Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none"><li>compliance with the CIPFA Position Statement 2022</li></ul>					
	<ul style="list-style-type: none"><li>results of the annual evaluation, development work undertaken and planned improvements</li></ul>					
	<ul style="list-style-type: none"><li>how it has fulfilled its terms of reference and the key issues escalated in the year?</li></ul>					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none"><li>financial management</li><li>value for money</li><li>ethics and standards</li><li>counter fraud and corruption</li></ul>					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

### Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?						
<ul style="list-style-type: none"> <li>• Separation from executive</li> </ul>						
<ul style="list-style-type: none"> <li>• A size that is not unwieldy and avoids use of substitutes</li> </ul>						
<ul style="list-style-type: none"> <li>• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation</li> </ul>						
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18 Is adequate secretariat and administrative support provided to the committee?						
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						

### Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22 Are meetings effective with a good level of discussion and engagement from all the members?						
23 Has the committee maintained a non-political approach to discussions throughout?						

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
<b>Subtotal score</b>					
<b>Total score</b>					
<b>Maximum possible score</b>					<b>200**</b>

\*\* 40 questions/sub-questions multiplied by five.

## Checklist Commentary and Link to Action Plan

Question	Score	Comment	Previous score
1	5	<b>Unchanged from prior year</b> - It is considered that AGP effectively fulfils its role within the Council's overall decision-making arrangements based on the Terms of Reference as set out in the Scheme of Delegation which provides for the Panel to have a wider role than just that of an audit committee. These arrangements continue to work well and accordingly, notwithstanding the nature of the question, it is considered that no further improvement is required on this point.	5
2	5	<b>Improvement from prior year</b> – A new Annual Report on the activities of the AGP was introduced to be considered and approved by AGP and then remitted to Council for consideration.	5
3	5	<b>Unchanged from prior year</b> - Decision making powers are limited and strictly as provided for within the Terms of Reference. Regarding service-related matters that come before the Panel, it is the role of APG to review and make recommendations to the appropriate decision-making authority within the Council.	5
4	5	<b>Unchanged from prior year</b> - The purpose of an audit committee as set out in the CIPFA Position Statement is reflected within the AGP Terms of Reference in respect of its audit committee functions.	5
5	5	<b>Unchanged from prior year</b> - It is considered that there is a good understanding of the role of the Committee by those charged with governance and in leadership roles, which is a result of training received and experience gained as members of the Panel.	5
6	5	<b>Unchanged from prior year</b> - It is considered that suitable mechanisms are provided for within the Council's decision-making arrangements and within the protocols for the operation of AGP to ensure that any issues or concerns identified by Panel are promptly taken forward.	5
7	5	<b>Improvement from prior year</b> – A new Annual Report on the activities of the AGP was introduced to be considered and approved by AGP and then remitted to Council for consideration.	0
8 (i), (ii), (iii)	5	<b>Improvement from prior year</b> – A new Annual Report on the activities of the AGP was introduced to be considered and approved by AGP and then remitted to Council for consideration. The new report includes relevant evaluation information and areas for development in the self-assessment reporting (Dec 2023) and includes compliance information in the annual report to Council	0
9 (i) to (viii)	5	<b>Unchanged from prior year</b> - All the areas are included within the AGP's Terms of Reference.	5
10	5	<b>Unchanged from prior year</b> - All core areas covered as evidenced by the range of business dealt with by AGP during the course of the year.	5
11	5	<b>Unchanged from prior year</b> - The Scheme of Delegation provides for the Panel to have a wider role than just that of an audit committee. The wider areas specified within CIPFA guidance relate to Treasury and Corporate Improvement (Best Value) - AGP receives reports on these matters on a regular basis. These wider scope arrangements continue to work well and accordingly, notwithstanding the nature of the question, it is considered that no further improvement is required on this point.	5

Question	Score	Comment	Previous score
12	3	<b>Improvement from prior year</b> – The Chair and vice chair meet privately on an informal basis with external auditors and meet regularly with the Chief Internal Auditor prior to each scheduled Panel date. During 2024 the CFO engaged with Audit Scotland to seek to widen private discussions beyond Chair and Vice Chair to all AGP members. This was agreed however due to circumstances this opportunity was not utilised during 2024. Improved administrative arrangements to be introduced to co-ordinate increased scope of informal meeting. <b>Action Plan – Action 1</b>	2
13 (i)	5	<b>Unchanged from prior year</b> - This is evidenced through the Panel's Terms of Reference within the wider Scheme of Delegation	5
13 (ii)	5	<b>Unchanged from prior year</b> - The size of the Panel is commensurate with its role and the wider requirements and responsibilities placed on Elected Members generally in populating Cabinet and other Panels to ensure effective decision making within the Council.	5
13 (iii)	5	<b>Unchanged from prior year</b> - It is not considered that such appointments would have the potential to significantly enhance the effectiveness of the Panel at this time therefore no further improvement required.	5
14	5	<b>Unchanged from prior year</b> - It is considered that the current membership of the Panel is commensurate with the wider requirements and responsibilities placed on Elected Members generally in populating Cabinet and other Panels to ensure effective decision making within the Council.	5
15	3	<b>Reduction from prior year</b> - An assessment of training needs was undertaken as part of the induction process following the Local Government elections in May 2022. It is recognised that skills and knowledge of Panel members will continue to develop going forward through further experience and training, as required. This assessment should be undertaken again to ensure appropriate training needs are addressed <b>Action Plan – Action 2</b>	5
16	3	<b>Reduction from prior year</b> - It is recognised that skills and knowledge of Panel members will continue to develop going forward through further experience. A training needs assessment should be undertaken again to ensure appropriate requirements are addressed <b>Action Plan – Action 2</b>	5
17	5	<b>Unchanged from prior year</b> - It is considered that the Panel is currently undertaking its role effectively on the basis of the knowledge and experience of Panel members.	5
18	5	<b>Unchanged from prior year</b> - Appropriate support is provided by the Committee Services team within the Democratic Services function.	5
19	5	<b>Unchanged from prior year</b> - Good working relationships are in place with key staff and organisations such as external audit, as evidenced by the range of business dealt with by the Panel and the nature of engagement.	5
20	5	<b>Improvement from prior year</b> – Feedback from Elected Members and officers of the Council was sought at the end of the 2023-24 financial year and the results were included in the annual report to Council in June 2024.	0
21	5	<b>Unchanged from prior year</b> - It is considered that meetings are well chaired.	5
22	5	<b>Improvement from prior year</b> – Following discussions at the 2023 Self - assessment session all members of the panel were encouraged to	3

Question	Score	Comment	Previous score
		provide a greater contribution to scrutiny meetings. It is considered that this has improved and there is now a good level of discussion and engagement on agenda items.	
23	5	<b>Unchanged from prior year</b> - Recognising that the Panel operates within a political environment, it is considered that the approach and discussions remain non-political.	5
24	5	<b>Unchanged from prior year</b> - Engagement is evidenced by the reports dealt with by the Panel at meetings provided by the Chief Auditor and the External Auditor, and active participation in discussions at meetings by the appropriate responsible officers.	5
25	5	<b>Unchanged from prior year</b> - Evidenced by Panel's consideration of reports relative to governance, risk and control arrangement, which feature within the workplan. Panel make recommendations for improvements when needed.	5
26	5	<b>Unchanged from prior year</b> - The nature of relationships and engagement between the Panel and those key officers concerned with audit committee functions ensure that any recommendations which may arise are implemented. All arising actions are monitored and compliance is reported back to Panel at various points during the workplan cycle.	5
27	3	<b>Improvement from prior year</b> –The introduction of the new Cipfa self-assessment checklist approach in 2023 now allows the effectiveness of the Panel to be more readily measured and improvements identified, implemented and monitored. Members of the Panel felt that it was too early to give final judgement on the process after only one year. The question will be considered again during next year's self-assessment process following the Year 2 Annual Report being remitted to Council in June 2025. <b>Action Plan – Action 3</b>	1
28	5	<b>Improvement from prior year</b> The self-assessment process in 2023 introduced an Action Plan and an evaluation of the outcome was included in the newly introduced Annual Report.	2
29	5	<b>Unchanged from prior year</b> - This self-assessment was undertaken by members of the Audit and Governance Panel which has responsibility for audit committee functions along with support from the Chief Financial Officer, the Service Lead- Democratic services and the Chief Internal Auditor.	5
<b>Total Score</b>	<b>192</b>		<b>159</b>

Action Plan

Action	Self-Assessment Ref.	Good practice assessment	Proposed action	Responsible Officer	Due date
1	Question 12 - Has the committee met privately with the external auditors and head of internal audit in the last year?	Minor Improvement	Improved administrative arrangements to be introduced to co-ordinate meetings with External Audit.	Chief Financial Officer	June 2025
2	Question 15 – Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?  Question 16 – Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Minor Improvement  Minor Improvement	Reassess Members training needs during 2024 and develop a new training programme as required	Service Lead – Democratic Governance	June 2025
3	Question 27 - Has the committee evaluated whether and how it is adding value to the organisation?	Minor Improvement	Consider Year 2 Self-Assessment outcome and Annual Report remitted to council for approval	Chief Financial Officer	Oct 2025

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

### 1. Policy details

Policy Title	Annual Self-Assessment 2023
Lead Officer (Name/Position/Email)	Tim Baulk, Chief Financial Officer - <a href="mailto:tim.baulk@south-ayrshire.gov.uk">tim.baulk@south-ayrshire.gov.uk</a>  Catriona Caves, Chief Governance Officer - <a href="mailto:catriona.caves@south-ayrshire.gov.uk">catriona.caves@south-ayrshire.gov.uk</a>

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

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – (issues specific to women & men or girls & boys)	-	-



Community or Groups of People	Negative Impacts	Positive impacts
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.**

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

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

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

## 5. Summary Assessment

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<div><input checked="" type="checkbox"/> <b>YES</b></div> <div><input type="checkbox"/> <b>NO</b></div>
<b>Rationale for decision:</b>  <b>This report confirms the outcome of the Audit and Governance Panel Self-Assessment for 2024. Members' decision on this has no specific equality implications</b>	
<div><b>Signed:</b> Tim Baulk <b>Head of Service</b></div> <div><b>Date:</b> 25 October 2024</div>	

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 4 December 2024**

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**Subject: Corporate Fraud Team – Activity Report and National Fraud Initiative update**

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**1. Purpose**

- 1.1 The purpose of this report is to advise Members of the Corporate Fraud Team's (CFT) activity from 1 April to 30 September 2024 and to provide an update on the National Fraud Initiative (NFI) exercise to date.

**2. Recommendation**

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

**2.1.1 considers the CFT activity for the six-month period to 30 September 2024, noting the changes to the format and contents from the previous update reports to provide additional information on the source of the referral and investigation outcomes; and**

**2.1.2 notes the conclusion of the 2022/23 exercise, the start of the 2024/25 NFI exercise and that updates on the 2024/25 exercise will be included within future CFT activity reports.**

**3. Background**

- 3.1 Update reports on the work of the CFT are submitted to the Audit and Governance Panel (AGP) six monthly. The last six-monthly report was submitted to Panel on 29 May 2024 and covered the period 1 October 2023 to 31 March 2024. This report covers the CFT activity during the six-month period to 30 Sept 2024 and the status of the NFI exercises as at 30 October 2024.

- 3.2 The primary scope of CFT work involves dealing with referrals of fraud and proactive exercises around Council Tax, Business Rates, Housing Tenancy and debt, Scottish Welfare Fund, Blue Badges, and Employees. Responsibility for investigating Housing Benefit fraud lies with DWP, issues may be identified by the CFT which can result in changes being made to benefits. The CFT also investigate Single Person Discount Matches identified through the NFI exercise and assist with co-ordinating and reporting on the exercise within South Ayrshire Council.

## 4. Proposals

- 4.1 As agreed at the AGP on 29 May 2024 this report has been updated to reflect additional information on the source and outcomes of referrals to the CFT. It is proposed that comparisons with previous periods will be included in update reports going forward from 2025. The Panel is requested to note the Corporate Fraud Activity from 1 April to 30 September 2024 as detailed in the following paragraphs.

### ***Corporate Fraud Activity***

- 4.2 Table one details new referrals received by the CFT in the six month period from 1 April to 30 September 2024 split between the source and category of the referral.

Table One: New Referrals received in period 1 April to 30 September 2024

Referral Category	NDR	CT	Housing General	Housing locate and trace	SWF	School Placements	HB	Blue Badges	Other	Total
<b>Source</b>										
Online referral		5	9				4	4	5	27
Email/Telephone										0
Other Council Service	8	13	16	44	1	1				83
Anti-Fraud and Anti-Bribery/ Whistleblowing Policy										0
Other Local Authority/ Organisations										0
<b>Total</b>	<b>8</b>	<b>18</b>	<b>25</b>	<b>44</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>110</b>

- 4.3 The majority (75%) of the referrals received in this period were from other Council services with the remaining 25% from online referrals. There were no referrals made through the Anti-Fraud and Anti-Bribery/Whistleblowing Policy, via email or telephone or from external organisation.
- 4.4 Methods of making referrals to the CFT are detailed within the Council's Anti-Fraud and Anti-Bribery Strategy which is available to all staff through The Core. There is also a dedicated page within the Council's website which details methods by which members of the public can make referrals and includes a link to the online referral form. In addition, communication is circulated to staff and members of the public annually during National Fraud Awareness week to highlight the work of the CFT and to remind staff and the public of ways to report fraud. However, the source of referrals will continue to be monitored by the CFT and steps taken to publicise referral methods if required. (The 2024 National Fraud Awareness week takes place from 17 to 23 November 2024.)
- 4.5 Table two below details the action taken by the CFT split by the category of the referral.

Table Two: New Referrals received in period 1 April to 30 September 2024 split by action taken

Referral Category	Investigated By CFT	Passed to Other Council Service	Passed to External Agency	Total
<b>Non Domestic Rates</b>	8	0	0	8
<b>Council Tax</b>	18	0	0	18
<b>Housing General</b>	25	0	0	25
<b>Housing Locate and Trace</b>	44	0	0	44
<b>Social Welfare Fund</b>	1	0	0	1
<b>School Placement</b>	1	0	0	1
<b>Blue Badge</b>	1	0	3	4
<b>Housing Benefit</b>	0	0	4	4
<b>Others</b>	0	4	1	5
<b>Total Referrals</b>	<b>98</b>	<b>4</b>	<b>8</b>	<b>110</b>

4.6 Action is taken on all referrals received by the CFT. The majority of referrals received are investigated by the Corporate Fraud Team. However, there may be referrals received which do not relate to Council services, for example Housing Benefit or Blue Badge entitlement, which are forwarded to the DWP or referrals which relate to operational complaints rather than fraud, for example anti-social behaviour complaints or child protection issues, which will be forwarded to the relevant service.

4.7 The referrals received during the period are split into nine separate categories as follows;

- Non-Domestic Rates referrals relate to allegations that businesses may be claiming reliefs and/or discount to which they are not entitled.
- Council tax referrals usually relate to allegations that there has been a failure to declare changes in income, residency or other changes that may affect discounts and exemptions.
- Tenancy referrals relate to allegations that the tenant is not residing in the property and may be sub-letting without permission. Referrals on homeless applications and tenancy succession applications may also be received from Housing Services.
- Housing Locate and Trace referrals are made by Housing Services where a local authority tenant has left/absconded from a tenancy with outstanding rent arrears and cannot be traced by Housing Services.
- Scottish Welfare Fund (SWF) referrals usually come from Benefits and Revenues and relate to community care grant applications for household goods.

- School placement referrals usually come from Education Services and relate to school placement requests which cannot be verified by the service.
- Housing benefit referrals relate to allegations that housing benefit is being claimed where there is no entitlement. Referrals of these types will be passed to DWP for investigation.
- Blue Badge referrals relate to either allegations of Blue Badge misuse or that there is no entitlement to the blue badge. The CFT investigate allegations of misuse but allegations of non-entitlement are passed to DWP for investigations.
- Other referrals include operational complaints which are passed to the relevant service for action and complaints that do not relate to Council services which are passed to the relevant external organisation for action. Referrals relating to employee fraud will also be included within this category. Employee investigations will be dealt with in line with the Council's Special Investigation Procedure.

4.8 Tables three and four below detail the number of investigations concluded by the CFT in the six month period to 30 September 2024 and the outcomes of the investigation.

4.9 Steps are taken to recover all financial outcomes where possible. Updated bills are issued where outcomes have been identified for Council Tax Reduction and Discounts and Non-Domestic Rates cases. Debtor accounts are issued for all other financial outcomes.

Table Three: Number of Investigations Concluded in period 1 April to September 2024 split by outcome

Outcome	Number of Cases
Open Cases at 1 April 2024	40
Referrals made during the period	110
Referred to another agency or Council Service for investigation	(13)
<b>Total CFT Caseload in period</b>	<b>137</b>
CFT Investigations Closed with no issues identified	102
CFT Investigations Closed with results achieved (See Table four)	16
<b>Open Referrals as at 1 October 2024</b>	<b>19</b>

Table Four: Concluded investigation outcomes split by category

Category	Number of Cases	Value (£)
<i>Financial Outcomes</i>		
Non-Domestic Rates	3	£10,250
Council Tax Reduction	5	£20,265
Housing Locate & Trace	3	£6,182
Scottish Welfare Fund	1	£638
<b>Total Financial Outcomes</b>	<b>12</b>	<b>£37,335</b>
<i>Other Outcomes</i>		
Education	1	1 School Placement Rejected
Tenancy Fraud	3	2 Tenancies returned 1 Housing Application rejected
<b>Total Other Outcomes</b>	<b>4</b>	

- 4.10 In addition to investigating referrals received the CFT also carry out pro-active exercises in fraud risk areas. Previous pro-active exercises include Blue Badge checks in conjunction with Ayrshire Roads Alliance (ARA) and unannounced checks on properties in receipt of Non Domestic Rates Empty Property Relief. A further pro-active exercise is planned for 2024/25 and is due to commence in November 2024. It is proposed that the progress and results of this exercise is include in future CFT Activity Reports to this Panel.

### ***National Fraud Initiative***

- 4.11 With the exception of investigations of Single Person Discount matches which will continue to be carried out until the start of the next exercise, the 2022/23 exercise is now concluded. The Audit Scotland report on the 2022/23 exercise, The National Fraud Initiative in Scotland 2024, was shared with all Members on 15 August 2024 and a Members Bulletin Note on the exercise within South Ayrshire Council was issued on 16 September 2024. The 2022-23 exercise investigation results for South Ayrshire Council are included in [Appendix 1](#).
- 4.12 Within South Ayrshire Council, officers are assigned responsibility for investigating matches within their service area. However, the CFT are responsible for investigating Single Person Discount matches to multiple data sets including the electoral register, payroll and housing tenants and Single Person Discount matches to HMRC Household Composition data sets
- 4.13 The CFT investigations comprise of review of Council and other systems and visits to properties where required. 1,124 NFI investigations were completed by the corporate fraud team during the six month period to 30 September 2024. These investigations resulted in a total financial outcome of £40,618 from 45 cases which are the only financial outcomes for the Council resulting from NFI investigations. The results of all CFT NFI investigations are included within [Appendix 1](#).

4.14 The Panel is asked to note that the 2024/25 NFI exercise has commenced and required datasets were uploaded to the NFI website by the due date. The electoral register and single person discount data sets are required to be uploaded in December 2024 after the electoral register has been updated. The results of the data match are expected to be received around December 2024/January 2025. Arrangements will then be made to share this information with the service to allow investigations to be completed.

4.15 It is proposed that updates on this exercise will continue to be reported to the Audit and Governance Panel through the six monthly CFT Activity Reports.

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

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## **6. Financial Implications**

6.1 Recovery of the amounts due is in progress. In Council Tax Reduction, Single Person Discount and Non-Domestic Rates cases the debtor is rebilled reflecting the amount due. The savings identified from CFT referrals of £37,335 and from NFI investigations of £40,618 represents the amount that would have been lost to the Public Purse had the fraud/error/debt remained undetected by the Council's CFT.

## **7. Human Resources Implications**

7.1 Not applicable.

## **8. Risk**

8.1 Fraud risk is considered when planning all Internal Audit assignments and testing conducted to ensure there are adequate controls in place to mitigate the risk where required. In addition, anti-fraud reviews will be considered for inclusion with annual Internal Audit Plans where the CFT work indicates a high fraud risk within specific service areas.

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

8.2.1 There are no risks associated with adopting the recommendations.

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

8.3.1 Rejecting the recommendation may result in ineffective scrutiny of the Council's control arrangements in relation to anti-fraud.

## **9. Equalities**

9.1 The proposals in this report allow scrutiny of the Corporate Fraud Team's activity. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an equality impact assessment is not required.



## **10. Sustainable Development Implications**

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this paper.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

### **Background Papers**

[Members Bulletin – September 2022 - National Fraud Initiative 2022](#)

[Report to Audit and Governance Panel of 31 May 2023 - Corporate Fraud Team - Activity Report and Update on 2022/23 National Fraud Initiative](#)

[Report to Audit and Governance Panel of 29 May 2024 - Corporate Fraud Team - Activity Report and 2022/23 National Fraud Initiative Update](#)

[Audit Scotland: The National Fraud Initiative in Scotland 2024 – August 2024](#)

### **Person to Contact**

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**Date: 25 November 2024**

## NFI 2022/23 Investigations Results

Match Area Current Results	Total Matches No.	Target Investigation No.	Target Completed No.	Target Completed %	Additional Investigations completed No.	Total Investigations Completed No.	Errors No.	Fraud No.	Outcome £
Housing Benefit	68	28	28	100%	3	31	0	0	0
Payroll	149	73	73	100%	76	149	0	0	0
Housing Tenants	723	254	254	100%	83	337	0	0	0
Blue Badge	722	645	645	100%	77	722	317	0	£206,050 <sup>1</sup>
Waiting List	320	57	57	100%	230	287	0	0	0
Council Tax Reduction Scheme	695	9	9	100%	57	66	0	0	0
Creditors	2,026	65	65	100%	0	65	0	0	0
Procurement	55	55	55	100%	0	55	0	0	0
Business Rates	109	79	79	100%	0	79	0	0	0
CT Single Person Discount	5,358	858	858	100%	1,523	2,381	142	0	£187,475 <sup>2</sup>
<b>Total</b>	<b>10,225</b>	<b>2,123</b>	<b>2,123</b>	<b>100%</b>	<b>2,049</b>	<b>4,172</b>	<b>459</b>	<b>0</b>	<b>£393,525</b>

<sup>1</sup> The Cabinet Office automatically allocates an estimated saving of £650 to each Blue Badge error. This does not represent actual loss to South Ayrshire Council

<sup>2</sup> The outcomes recorded for Council Tax, Single Person Discount errors are made up of actual savings (£64,871) which relate to amounts recoverable by South Ayrshire Council through the Council Tax billing process, and future savings estimates (£122,604) which is the annual value of the discount cancelled multiplied by two years and therefore also does not represent actual amounts recoverable by South Ayrshire Council.

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 4 December 2024**

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**Subject: Treasury Management and Investment Strategy Mid-Year Report 2024/25**

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**1. Purpose**

- 1.1 The purpose of this report is to provide Members with a mid-year treasury management update for the financial year 2024/25.

**2. Recommendation**

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

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

**2.1.2 remits the report to the Council meeting of 6 March 2025 for approval.**

**3. Background**

***Treasury Management***

- 3.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned to meet expenditure commitments but also to invest surplus monies in low-risk counterparties (organisations with which the Council has a financial relationship in terms of borrowings or investments), providing adequate liquidity initially before considering optimising investment return.
- 3.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash will involve arranging long or short-term loans or using longer term cash flow surpluses. In addition, in certain interest rate environments debt previously drawn may be restructured to meet Council risk or cost objectives.
- 3.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

## 4. Proposals

- 4.1 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and provides an update on activity in [Appendix 1](#) and [Appendix 2](#) on the following:

### 4.1.1 [Appendix 1](#) – *Economic Update and Interest rates*

Section	Description
1	Economics and Interest Rates
2	Interest Rates Forecast

### 4.1.2 [Appendix 2](#) – *Treasury Activity*

Section	Description
1.1 to 1.2	The Council's Capital Expenditure plans and Capital Financing Requirement (CFR);
2.1	Borrowing Strategy for 2024/25
3.1 to 3.2	Review of Investment Strategy and Performance
4.1	Review of compliance with Treasury and Prudential Limits for 2024/25
5.1	Borrowing in advance; and
6.1	Debt Re-scheduling.
7.1 to 7.3	Other

- 4.2 The Panel is requested to scrutinise the contents of this report; and thereafter agree to remit the report to the South Ayrshire full Council meeting of 6 March 2025 for approval, in accordance with the requirements of the CIPFA Code.

## 5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

## 6. Financial Implications

### 6.1 *General Services*

- 6.1.1 **Interest on Revenue Balances** - the Council budgeted for investment income of £2.130m in 2024/25, based on an estimate of the average revenue balances held during the year. Budgeted at achieving an assumed interest rate return of 5.50% on these balances.

At September 2024 (Qtr2) the full year budgeted income is projected at £2.205m, a surplus of £0.075m.

- 6.1.2 **Capital Financing Costs** - the budget for loan charges in 2024/25 is £17.610m, comprising £6.457m for loan principal, £10.978m for interest costs and £0.174m for loans fund expenses.

The current projection for loans charges to the General Fund is an overspend of £1.334m in interest and expenses. This is offset by the projected surplus of income of £0.075m bringing an overall overspend of £1.259m.

This overspend is currently being reviewed in conjunction with the capital programme and will be monitored closely.

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

- 6.2.1 **Interest on Revenue Balances** - the HRA budgeted for investment income of £0.240m in 2024/25, based on an estimate of the average revenue balances held during the year. Budgeted at achieving an assumed interest rate return of 5.50% on these balances.

At September 2024 (Qtr2) the full year estimate for investment income earned is £0.342m resulting in a surplus of £0.102m.

- 6.2.2 **Capital Financing Costs** - the budget for HRA loan charges in 2024/25 is £7.277m, comprising £2.443m for loan principal, £4.762m for interest costs and £0.071m for loans fund expenses.

The current projection for HRA loan charges is an underspend of £0.276m in interest and expenses. In addition, the projected surplus of income of £0.102m results in an overall underspend of £0.378m.

The projected surplus will be monitored closely.

## 7. **Human Resources Implications**

- 7.1 Not applicable.

## 8. **Risk**

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

- 8.1.1 There are no risks associated with adopting the recommendations.

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

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

## 9. **Equalities**

- 9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 3](#).

## **10. Sustainable Development Implications**

- 10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

## **11. Options Appraisal**

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

## **12. Link to Council Plan**

- 12.1 The matters referred to in this report contribute to Commitment 1 of the Council Plan: Fair and Effective Leadership/ Leadership that promotes fairness.

## **13. Results of Consultation**

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers**      **CIPFA Code of Practice for Treasury Management in the Public Services**

**Report to South Ayrshire Council of 6 March 2024 – [Treasury and Investment Strategy 2024/25](#)**

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**Date: 25 November 2024**

## Economic Update and Interest Rates

### 1. Economics and Interest Rates

- The third quarter of 2024 (July to September) saw:
  - Gross Domestic Product (GDP) growth slowed in July following downwardly revised Q2 figures (0.5% q/q)
  - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
  - CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
  - Core CPI inflation increasing from 3.3% in July to 3.6% in August;
  - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
  - 10-year gilt yields falling to 4.0% in September.

- The lack of growth in the economy in June and July suggests a slight slowdown in GDP growth as opposed to a return to recession. In addition, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months.

This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services Purchasing Managers' Index (PMI) balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an increase in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.

- The 1.0% m/m increase in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the Office for National Statistics (ONS) reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be announced in the Budget, which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Capital Economics company suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.
- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to calm. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.
- Other labour market indicators also point to a less restrictive labour market. The 59,000 fall in the alternative Pay As You Earn (PAYE) measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three

months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- Consumer Price Index (CPI) inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.
- The Bank of England initiated the phase of lowering rates in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the European Central Bank (ECB) more than the US Federal Reserve, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members chose to vote to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.
- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank of England if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.
- The treasury forecast from Link Advisory Services has been updated after the MPC on 7<sup>th</sup> November and is reflected in Section 2.
- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the US Federal Reserve rate cut on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.
- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently.



## MPC meetings

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20<sup>th</sup> June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the Federal Open Market Committee (FOMC), but there was no change.
- On 7 November, the Bank of England's Monetary Policy Committee (MPC) voted 8-1 to cut the bank base rate to 4.75%. Going forward, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

## 2. Interest Rates Forecast

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

Our latest forecast on 11 November sets out a view that short, medium and long-dated interest rates will fall back over the next year or two, although there are upside risks in respect of the stickiness of inflation and a continuing tight labour market, as well as the size of gilt issuance.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1 November 2012.

Link Group Interest Rate View 11.11.24													
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

## Treasury Activity

## 1.1 The Council's Capital Expenditure Plans and Capital Financing Requirement (CFR)

- (1) The following section provides the information relating to the 2024/25 capital position and prudential indicators.
- The Council's capital expenditure plans.
  - How these plans are being financed.
  - The impact of the capital expenditure plans on the prudential indicators and the underlying need to borrow.
  - Compliance with the limits in place for borrowing activity.
- (2) The tables below draw together the main movement in terms of the capital expenditure plans compared to the original plan, highlighting the original supported and unsupported elements of the capital programme, and the expected financing arrangements for capital expenditure. The borrowing element of Table 1 for both General Services and HRA below revises the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR).

Table 1

	<b>2024/25 Original Estimate £'000</b>	<b>2024/25 Latest Estimate £'000</b>
<b>Prudential Indicator – General Services</b>		
Capital Expenditure	<b>102,570</b>	<b>61,105</b>
<b>General Services - Financed By</b>		
General and Specific Grant	8,360	9,997
Capital Receipts/Other	32,426	4,815
Borrowing	61,784	46,293
	<b>102,570</b>	<b>61,105</b>
<b>Prudential Indicator – HRA</b>		
Capital Expenditure	<b>64,389</b>	<b>58,275</b>
<b>HRA - Financed By</b>		

	<b>2024/25 Original Estimate £'000</b>	<b>2024/25 Latest Estimate £'000</b>
Borrowing	61,546	46,583
CFCR, Draw on surplus	1,798	1,798
Other Receipts/ Grants	1,045	9,894
	<b>64,389</b>	<b>58,275</b>

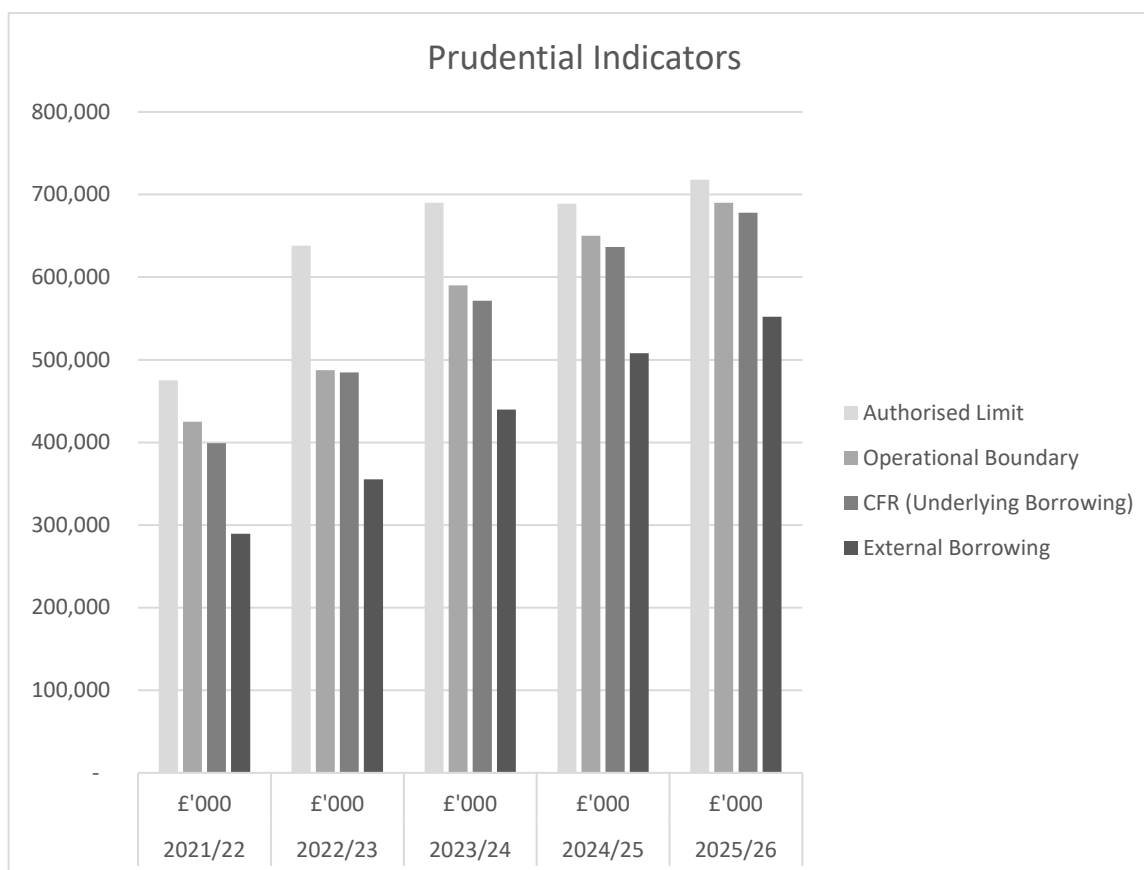
## 1.2 ***Capital Financing Requirement, Debt Position and Operational Boundary Indicators***

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

**Table 2**

<b><i>Prudential Indicator – CFR</i></b>	<b>2024/25 Original Estimate £'000</b>	<b>2024/25 Updated Estimate £'000</b>
Capital Financing Requirement – GS	481,816	466,352
Capital Financing Requirement – HRA	171,136	145,409
<b>Total Capital Financing Requirement</b>	<b>652,952</b>	<b>611,761</b>

## (2) Prudential Indicators Chart



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

1. **External Borrowing** – shows significant increase in the next two years as the Council utilises borrowing to fund capital investment
2. **Capital Financing Requirement** – shows increases in CFR in line with external debt. The Council ended 2023/24 in an under borrowed position (CFR compared with external debt) of £58.801m. The current strategy will be to reflect an under-borrowed position in the short/medium term as reflected in the graph.
3. **Operational Boundary** – this indicator is higher than external debt and CFR as it includes provision for other long term financing liabilities such as PPP and Finance leases, and short term cash flow variations.
4. **Authorised Limit** – the limit which cannot be exceeded in terms of the Council's debt position. This indicator is higher than the operational limit as provision is made for other cash flow variation and potential borrowing in advance.

**Table 3/**

**Table 3**

<b><i>Prudential Indicators – Debt</i></b>	<b><i>2024/25 Original £'000</i></b>	<b><i>2024/25 Updated £'000</i></b>
Authorised Limit	705,000	658,683
Operational Limit	660,000	602,721
External Debt	527,674	468,674

## **2.1 Borrowing Strategy 2024/25 (Update)**

- (1) The Council's capital financing requirement (CFR) estimate for 2024/25 has been revised to £611.761m based on the revised capital spend projections, as shown at 1.2, Appendix (2) Table 1. The CFR denotes the Council's underlying need to borrow for capital purposes. To fund the CFR the Council may borrow from the PWLB or the market (external borrowing) or fund from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions and availability of internal cash resources.
- (2) The original borrowing requirement for 2024/25 was set at £121m but has been revised to £92.876m. This drop is attributed to increased cost of supplies and re-profiling of capital projects. This has resulted in movement in the current year of the capital programme
- (3) This has resulted in revising the external borrowing requirement from the original £160.0m to £95.0m.
- (4) The current strategy is to consider medium term external borrowing in Qtr3 of £10.0m and Qtr. 4 of £10.0m of medium to long borrowing, with further PWLB or medium term at the end of Qtr 4. To date in Qtr. 1 and 2 £5.0m long term borrowing has been taken from PWLB securing a lower interest rate being offered. A further £5.0m of medium to long term borrowing was secured in Qtr. 1 from the other local authority market, again taking advantage of lower interest rates being offered.

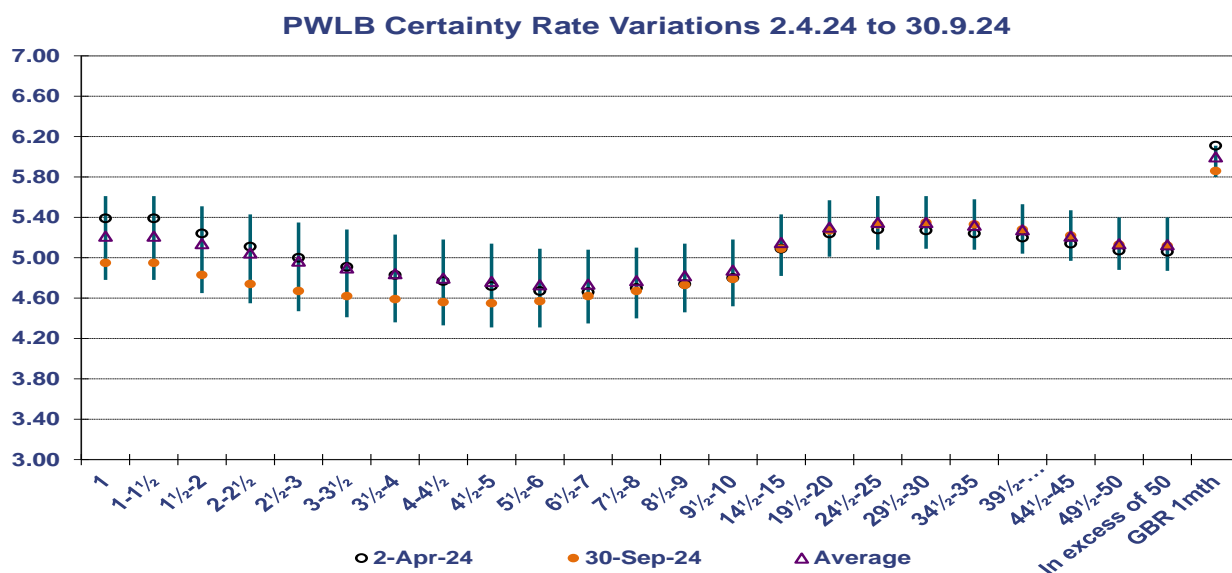
A pragmatic approach however is being taken in terms of the timing of new long term external borrowing given the current market uncertainties due to a number of factors such as the overall economic climate and interest rate fluctuations along with the pace of the spend in the Council's capital programme.

- (5) The table at 2.2.1 below shows the high and low rates available from the PWLB during the period April 24 – Sept 24.

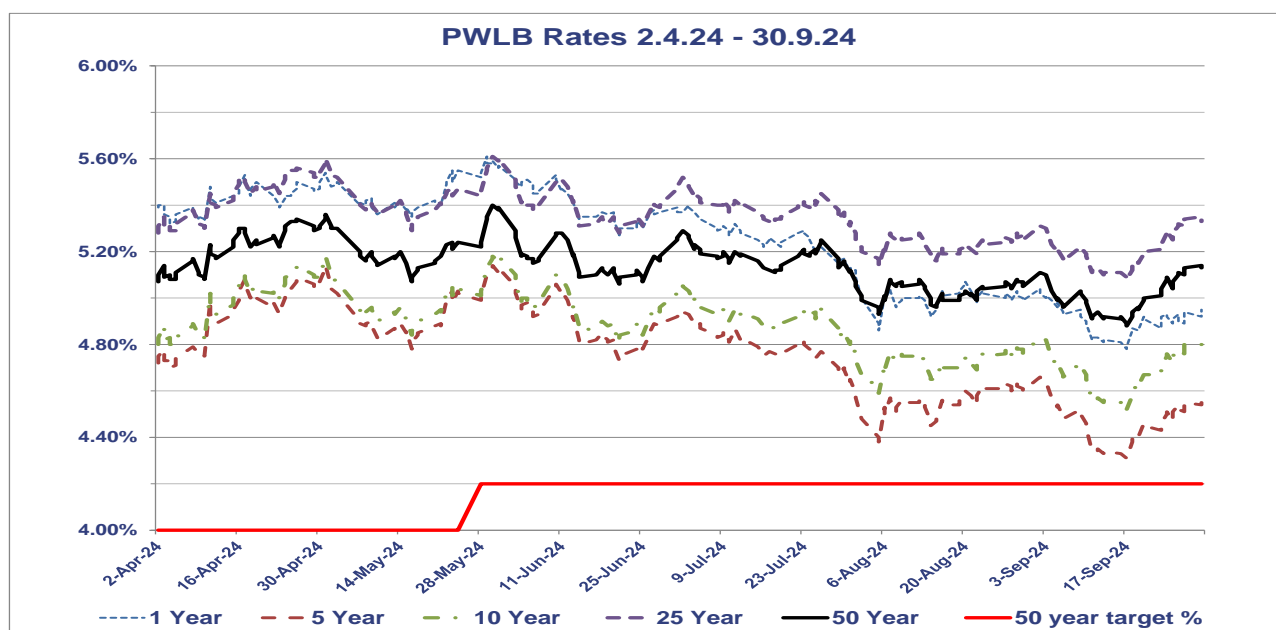
## **2.2 The current PWLB rates are set as margins over gilt yields as follows: -**

1. **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
2. **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
3. **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

## 2.2.1 PWLB certainty rates 1 April 2024 to 30 September 2024



## 2.2.2 PWLB Interest Rates – Apr 24 – Sep 24



## 3.1 Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on 6 March 2024. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- security of capital;
- liquidity; and
- yield

- (2) The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness.

### 3.2 **Investment Performance 2024/25**

- (1) The Council's average level of funds available for investment purposes in the first half of the year 2024/25 was **£19.6m**. These funds are available on a temporary basis and are dependent on a number of factors including cash flows, reserve balances, borrowing strategy, etc. As these funds are linked to Council reserves earmarked for specific purposes, they are not available to spend on additional services and represent the current 'cash' position.
- (2) LIBOR and LIBID rates ceased from the end of 2021. LIBOR has been replaced with a rate based on SONIA (Sterling Overnight Index Average). On advice received from the Council's consultants, Link Group, the replacement benchmark to be used is the 90-day backward SONIA compounded rate.

Below table shows the rates for the first half of 2024/25.

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
<b>High</b>	5.25	5.20	5.21	5.20	5.17	5.08
<b>High Date</b>	02/04/2024	03/05/2024	27/06/2024	17/04/2024	31/05/2024	30/05/2024
<b>Low</b>	5.00	4.95	4.90	4.79	4.58	4.17
<b>Low Date</b>	01/08/2024	01/08/2024	17/09/2024	17/09/2024	17/09/2024	17/09/2024
<b>Average</b>	5.17	5.12	5.11	5.06	4.96	4.75
<b>Spread</b>	0.25	0.25	0.31	0.41	0.58	0.91

- (3) The Council's average performance rate for Quarter ended 30<sup>th</sup> September 2024 was **5.31%**. This is on a par with the 90-day benchmark return as above. Investments will continue to be monitored in the current climate of changing interest rates.
- (4) The Chief Financial Officer confirms that the approved investment strategy was not breached in the first half of the financial year 2023/24.
- (5) The Council continues to lend to other local authorities where appropriate, in order to diversify its investment portfolio and to provide the highest level of security in delivering the objectives of security, liquidity and yield in its investment portfolio. Interest rates in the recent climate are very volatile and after a long period of extremely low rates, they have risen and remain fairly high. This makes borrowing more expensive but on the counter side the council is achieving a greater rate of interest on investments than previously forecast, because of this some forward planning has been undertaken to try and secure the best rates available. Also, to ensure some form of liquidity, advantage has been taken of good return on investment rates using Money Market Funds (MMF).

The following table summarises the Council's investments as of 30 September 2024.

**Table 6**

<b>Counterparty</b>	<b>Type</b>	<b>Principal £'000</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Colour Code (Based on credit information)</b>
Bank of Scotland	Liquidity	12,450	4.95%	N/A	Orange
MMF VNAV – Federated Cash Plus	Liquidity	30	4.10%	N/A	
Money Market Fund – Federated (Prime Rate Class3)	Liquidity	400	5.02%	N/A	AAA
Money Market Fund - Aberdeen Liquidity Fund - Sterling Fund Class L-1	Liquidity	5,000	5.005%	N/A	
Lancashire County Council	Maturity	5,000	5.75%	05/01/2025	Red
Total Investment		22,878			

#### **4.1 *Review of Compliance with Treasury and Prudential Limits for 2024/25***

1. The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

Table 7 below shows that the 2024/25 year end projected total debt position of £473,674 is below the projected CFR of £613,472 which indicates that external borrowing is only being used for capital purpose.

**Table 7/**



**Table 7**

	<b>2023/24 Actual £'000</b>	<b>2024/25 Borrowing as @ 30/9/24 £'000</b>	<b>2024/25 Projection £'000</b>
Long Term Borrowing – PWLB	239,459	239,182	317,474
Long Term Borrowing - LOBO	33,200	33,200	33,200
Long Term Borrowing - Market	44,000	44,000	49,000
Short Term Borrowing – Market	71,000	83,000	69,000
<b>External Debt</b>	<b>387,659</b>	<b>399,382</b>	<b>473,674</b>
Other Long-Term Liabilities	88,023	84,047	84,047
<b>Total Debt</b>	<b>475,682</b>	<b>483,429</b>	<b>552,721</b>
<b>Capital Financing Requirement (CFR)</b>	534,483	611,761	611,761
<b>(Under) Over borrowed</b>	<b>(58,801)</b>	<b>(128,332)</b>	<b>(59,040)</b>

2. A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government in Scotland Act 2003.

Table 8 below shows the authorised limit amended from the original 2024/25 indicator.

**Table 8**

<b>Prudential Indicator – Authorised Limit for External Debt</b>	<b>2024/25 Original Indicator £'000</b>	<b>2024/25 Revised Indicator £'000</b>
Borrowing	515,000	520,660
Other Long-Term Liabilities	145,000	138,023
<b>Authorised Limit</b>	<b>660,000</b>	<b>658,683</b>

3. **Liability Benchmark**

The third prudential indicator for 2024/25 is the Liability Benchmark (LB). The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

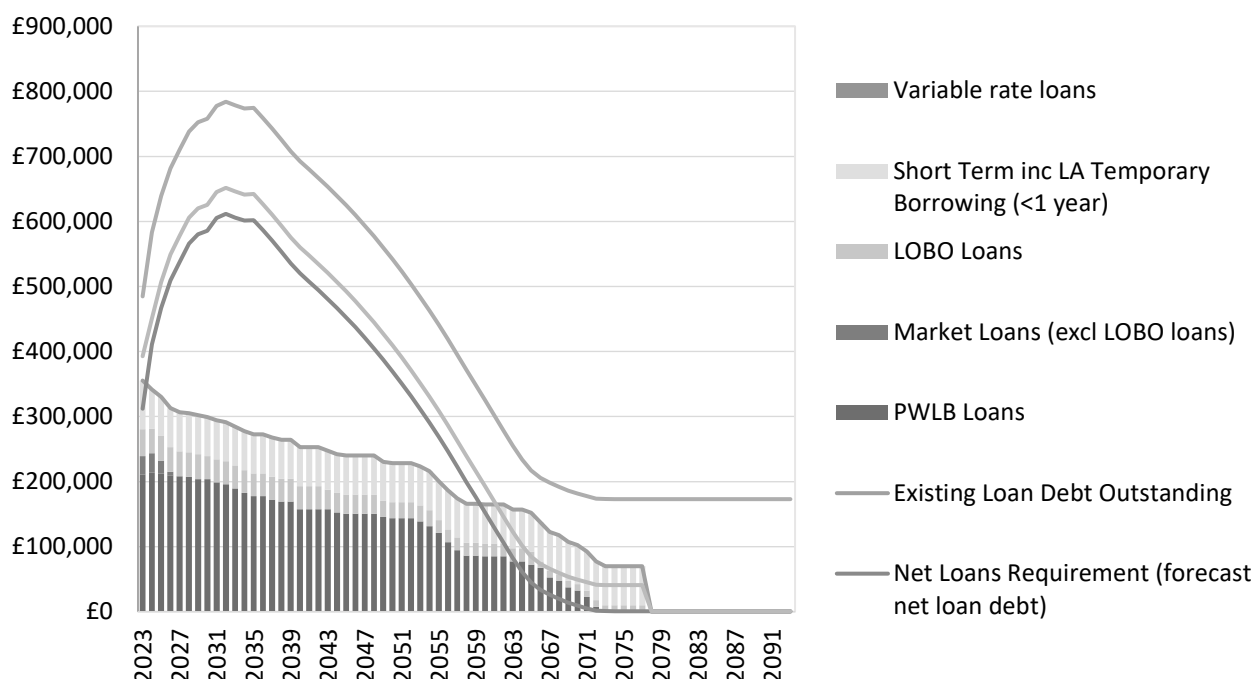
CIPFA notes on page 13 of the 2021 TM Code: “The liability benchmark should be analysed as part of the annual treasury management strategy, and any substantial mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment (unless any currently unknown future borrowing plans increase the benchmark loan debt requirement). The treasury strategy should explain how the treasury risks inherent in these mismatched positions will be managed.”

There are four components to the LB:

- 1’ **Existing loan debt outstanding:** the Authority’s existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund advances/Loans Fund principal repayments. (Note only approved prudential borrowing is included).
3. **Net loans requirement:** this will show the Authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

The graph below shows the projected movement in the liability benchmark.

## Liability Benchmark



## **5.1 *Borrowing in Advance of Need***

The Local Government Investment Regulations (Scotland) 2010 requires the Council to set out its strategy and approach to borrowing in advance of need, which is defined as any borrowing undertaken which will result in the total external debt exceeding the CFR for the following twelve-month period. The Council has not borrowed in advance of need during the six months to 30 September 2024.

## **6.1 *Debt Rescheduling***

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year. However, now that the whole of the yield curve has shifted higher there may be better opportunities in the future, although only prudent and affordable debt rescheduling will be considered.

## **7.1. Other Current Issues**

### **7.1.1 Sources of Borrowing – regarding ESG (Environmental, Social and Governance)**

While the prime considerations when investing surplus funds are security liquidity and yield, it is recognised that consideration must be given to other factors such as climate change, environmental, social, and good governance (ESG), to support a policy of sustainability. For these considerations to work effectively any policy should be derived on a corporate level, at which point the finance team can implement for treasury investing. Most highly rated lenders will have an ESG policy in place, which can be reviewed periodically and form part of the counterparty selection process for treasury investments. We currently have investments with Standard Chartered Fixed Term ESG deposit accounts. The same interest rate is offered for both non-ESG and ESG accounts allowing investment at the same return but also in line with policy.

### **7.1.2 Changes to Accounting Standards for Leasing Arrangements**

The change to accounting standards to IFRS16 for leasing arrangements requires that all leasing contracts are held on the balance sheet. This is the change from the previous accounting standard IAS17. This will mean that the Capital Financing Requirement figures (CFR) and the Operational Boundaries will increase to reflect the change in accounting policy.

The work to prepare for the transition for the reporting of this in the year end accounts 24/25 is making good progress. A separate report is being prepared to provide detailed information on the effect of these changes and should be at Audit and Governance Panel

## South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: [Equality Impact Assessment including Fairer Scotland Duty](#)

Further guidance is available here: [Assessing impact and the Public Sector Equality Duty: a guide for public authorities \(Scotland\)](#)

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

### 1. Policy details

Policy Title	Treasury Management and Investment Strategy Mid-year Report 2024/25
Lead Officer (Name/Position/Email)	Kate Copland, Senior Finance Officer, Treasury/ Capital – kate.copland@south-ayrshire.gov.uk

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

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

**3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.**

<b>Socio-Economic Disadvantage</b>	<b>Negative Impacts</b>	<b>Positive impacts</b>
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent's education, employment and income	-	-

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

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

**5. Summary Assessment**

<b>Is a full Equality Impact Assessment required?</b> (A full Equality Impact Assessment must be carried out if impacts identified as <b>Medium and/or High</b> )	<div> <input checked="" type="checkbox"/> <b>YES</b> </div> <div> <input type="checkbox"/> <b>NO</b> </div>
<b>Rationale for decision:</b>  <p>The strategy outlines the approach to be taken in managing the Council's cash flow and capital funding arrangements and is a mechanism for ensuring that budget targets are achieved: a full EQIA is, therefore, not required</p>	
<b>Signed :</b> Tim Baulk <span style="float: right;"><b>Chief Financial Officer</b></span>  <b>Date:</b> 8 November 2024	