

County Buildings
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30 April 2025

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 7 May 2025 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 26 March 2025 (copy herewith).
4. Action Log and Work Programme (copy herewith).

External Audit Reports

5. Audit Scotland: A Review of Housing Benefit Overpayments 2018/19 to 2021/22 (copy herewith).
6. External Audit Reports – Progress to 31 March 2025 (copy herewith).
7. Audit Scotland: Integration Joint Boards - Finance Bulletin 2023/24 (copy herewith).

For more information on any of the items on this agenda, please telephone June Chapman,
Committee Services on 01292 272015, Wellington Square, Ayr or
e-mail: committeeservices@south-ayrshire.gov.uk www.south-ayrshire.gov.uk

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AUDIT AND GOVERNANCE PANEL.

Minutes of a hybrid webcast meeting on 26 March 2025 at 10.00 a.m.

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

Present
Remotely: Councillors Mary Kilpatrick and George Weir.

Also Present
In County Hall: Councillors Laura Brennan-Whitefield, Ian Cochrane and Craig Mackay (in attendance for item 2 only).

Apology: Councillor Kenneth Bell.

Attending in
County Hall: M. Newall, Chief Executive; L. McRoberts, Depute Chief Executive and Director of Education; K. Braidwood, Director of Housing, Operations and Development; K. Anderson, Assistant Director - Corporate Policy, Strategy & Performance; L. Reid, Assistant Director – Transformation; T. Baulk Chief Financial Officer; C. McGhee, Chief Internal Auditor; W. Carlaw, Service Lead - Democratic Governance; T. Simpson, Service Lead - Corporate Accounting; J. Tait, Service Lead – Thriving Communities; F. Mitchell-Knight and A. Kerr. Audit Scotland; S. Rodger, Risk and Safety Co-ordinator; J. Corrie and B. McDonnell, Ayrshire Roads Alliance; J. Chapman, Committee Services Officer; and E. Moore, Clerical Assistant.

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 18 March 2025 - Ayr Parking Consultation and General Parking Review.

Reference was made to the Minutes of the Cabinet of 18 March 2025 (page 2) when the Cabinet had decided to agree to maintain the status quo and that the Director of Housing, Operations and Development present revised proposals to Cabinet in six months' time.

The Panel was advised that the report had been the subject of a call-in (issued), details of which were outlined by Councillor Craig Mackay when he introduced and spoke to the call-in.

Councillors Brennan-Whitefield and Cochrane confirmed their support for the call-in and stated their reasons.

Councillor Clark advised Members that he was representing the Cabinet as the Portfolio holder was unable to attend. He acknowledged the issues raised and had some concerns about aspects of the report and gave his views on the Paper.

The Director of Housing, Operations and Development stated the reasons for the parking charges and advised that his officers had been asked to look at parking charges across South Ayrshire. He noted that parking issues within the rural towns differed from those for Ayr. It was intended that the report that would be brought back to Cabinet would exclude rural towns.

Councillor Mackay advised that he still did not see adequate political direction and that more detail was required. He questioned why the Paper was signed off by the Portfolio Holder when apparently not one member of Cabinet supported it. Councillor Clark advised that he could not answer that question as only the Portfolio Holder could.

Councillor Mackay requested clarification as to why the proposal included Car Park charges across Ayrshire without any other parking strategy consultations other than Ayr and Prestwick. The Director of Housing, Operations and Development advised that a parking consultation had been carried out in 2021/2022 but conceded it did not take into account the areas across Ayrshire.

Councillor Mackay questioned if it was accepted that more openness by the Administration was required going forward in relation to parking restrictions and charges. Councillor Clark advised that for his part he was agreeable to this and for all Members to be briefed beforehand on any proposed parking strategies. The Director of Housing, Operations and Development advised that he had met with members of the Administration prior to Cabinet.

Councillor Mackay stated that he would welcome an informal discussion with the Portfolio Holder and with other opposition Members to agree a baseline of how to proceed with parking proposals. Councillor Clark advised that he did not see this being a problem but that it would be for the Portfolio Holder to agree to that.

Councillor Clark stated there was a discrepancy with the figures in the report relating to Parking Charges and Parking Fines. The Chief Financial Officer and The Director of Housing, Operations and Development provided a breakdown and explanation of those figures.

A Member of the Panel gave his view on the Portfolio Holder being absent and on the Paper.

A Member of the Panel raised a point of order on whether a non-Panel Member was allowed to ask Officers questions. The Service Lead - Democratic Governance advised

that the Council's Standing Orders Relating to Meetings recognised the need for a flexible approach to the conduct of Scrutiny Panel meetings and accordingly the Governance rules could be relaxed at the behest of the Chair.

The Chair then outlined the options open to the Panel when considering this call-in.

The Panel adjourned to allow Members of the Panel the opportunity to discuss proposed wording of a Motion. Upon reconvening, Councillor McGinley, seconded by Councillor Ramsay moved

- (1) that the requested report be referred to full Council for determination within six months, and
- (2) that a members' briefing be held within four weeks to discuss the strategic and political direction of the parking strategy across South Ayrshire, which would inform the requested report.

By way of an Amendment, Councillor Lamont, seconded by Councillor Kilpatrick moved that the Panel agree the Decision of Cabinet.

On a vote being taken by a show of hands, 2 Members voted for the Amendment and 5 for the Motion. The Motion was accordingly declared to be carried and subsequently, the Panel

Decided:

- (a) that the requested report be referred to full Council for determinations within six months, and
- (b) that a members' briefing be held within four weeks to discuss the strategic and political direction of the parking strategy across South Ayrshire, which would inform the requested report.

3. Minutes of Previous Meeting.

The Minutes of the meeting of 26 February 2025 (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](#)).

The Chief Financial Officer advised there were no actions outstanding.

A member questioned if triggers were in place to identify slippage of deadlines in relation to reports being presented to this Panel; and the Chief Financial Officer advised that this was monitored monthly.

The Panel

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

5. **Annual Audit Plan 2024/25**

There was submitted a report ([issued](#)) of 19 March 2025 by the Chief Financial Officer providing a background to the presentation by Audit Scotland of their Annual Audit Plan 2024/25 (the Audit Plan).

A Member questioned whether the auditors were aware of any activity in relation to the risks that were highlighted in paragraph 4.2.1 of the report. The Chief Financial Officer stated that he was not aware of any internal issues that would cause any concern.

An Officer from Audit Scotland commented that South Ayrshire Council had taken into consideration a recent national report on a particular council tax fraud case and had considered the findings from that report internally and advised that there were no issues in terms of how their service operated.

Having heard a Member of the Panel request clarification of what was meant by accounted for on an equity basis on page 11 of the report, an officer from Audit Scotland provided an example of this.

An Auditor from Audit Scotland who was also the Auditor for Strathclyde Partnership for Transport gave assurance that risk has been noted but had never crystalized and in previous years Strathclyde Partnership for Transport had a clean Audit certificate with no problems anticipated.

A Member referred to an appendix attached to the report and enquired why common good was treated differently from South Ayrshire Council. Audit Scotland advised that there was a legal requirement given that the common good assets were held separately from the Council's estate. In the Council's annual accounts there was a separate statement that detailed the assets that were common good . The Service Lead - Corporate Accounting further advised that although the Council had governance over the common good funds, legally and statutorily, they were a separate entity. Exhibit 3 referred to the Council's group accounts of which the common good was a part of the overall group along with Ayrshire Valuation Joint Board and Strathclyde Partnership for Transport.

A Member of the Panel questioned whether the new IFRS16 reporting tool was working well. An officer from Audit Scotland stated that it was recognised that this was a significant change and early engagement had been made with the team. From the progress Audit Scotland had seen so far, they were comfortable with where the Council were at, compared to other Councils.

The Service Lead - Corporate Accounting further advised that Members would be aware that a separate report on IFRS16 had been considered at the previous meeting of this Panel and stated that it was a new accounting standard that was being introduced.

A Member of the Panel queried that there was an assertion that there were no significant wider scope risk and asked for clarification if that meant at present or was it a broad view when financial sustainability pressures were clearly acknowledged in the report. An officer from Audit Scotland advised that in terms of the wider scope risks, these were risks to the Audit rather than business operational risks to the Council.

The Panel

Decided: to approve the Annual Audit Plan 2024/25.

6. **Best Value Thematic Management Report – Transformation**

There was submitted a report ([issued](#)) of 19 March 2025 by the Director of Communities and Transformation presenting Audit Scotland's thematic report on transformation in South Ayrshire.

A Member commended Officers for the work that had been done and gave his views on Best Value and Transformation.

A Member queried page 1, item 2.1.3 of the report, quarterly reporting to the Audit and Governance Panel recommendation and how did this tie in with Transformation reports to the Service, Partnerships and Performance Panel Reporting Scheme. He also questioned how often aspects of Transformation would be reported to the two scrutiny panels. The Assistant Director - Corporate Policy, Strategy and Performance advised that the report submitted to the Audit and Governance Panel was specifically based on improvement actions. The reports that were submitted to the Service and Partnerships Performance Panel provided an overview of progress within the Transformation Programme.

A Member of the Panel asked how the individual services would be held accountable for realising measurable outcomes within Transformation. The Assistant Director - Transformation advised that the Transformation Board met on a quarterly basis and there was a Transformation Delivery Group that reported to the Board. There were several reports that were considered by the Board that were agreed by Cabinet and one of those reports related to risk and issues. If there were any issues, they would be escalated to the Senior Reporting Officer and if the issues remained unresolved the next step would be escalation to the Senior Officers.

The Chief Executive thanked Audit Scotland for recognising the efforts that this Council's Corporate Leadership Team had put in place to take forward Transformation and emphasised the importance of Officers and Elected Members working together to take the organisation forward in dealing with difficult decision making.

The Chair advised that she was pleased with the work that was being undertaken with the Community Planning Partnership and Mutual Ventures and invited Members to visit the Community Planning Partnership to see the work that had taken place. She reiterated the Chief Executive's comments and asked whether Members needed to do more.

An Officer from Audit Scotland responded that urgent reform was required and, as a result, Elected Members must make difficult decisions.

The Panel, having scrutinised the contents of Audit Scotland's thematic report on transformation in South Ayrshire;

Decided:

- (1) to note the improvement actions identified in Appendix 1 of the report; and
- (2) to agree for these actions to be incorporated within the existing Best Value Action Plan and reported quarterly to the Audit and Governance Panel and the Best Value Working Group.

7. **Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)**

There was submitted a report ([issued](#)) of 19 March 2025 by the Chief Internal Auditor seeking approval for the proposed Audit Strategy and Internal Audit Plan and reserve list for 2025-26 and for the revised Internal Audit Charter. The report also set out a summary of changes relevant to the audit planning process resulting from the new Global Internal Audit Standards (GIAS) in the UK Public Sector for noting.

A Member queried if the Internal Audit Plan worked proactively or reactively to identify weaknesses within the system. The Chief Internal Auditor advised that the Audit and the Plan covered a specific period and would depend on what was being Audited. She advised that if figures were being examined, they would look backwards at periods that had passed and that they also provided guidance on future plans.

A Member commended the fact that the Strategic Plan had been a live document in which the ambitions of the Council were being reflected and that the work around Transformation had been recognised.

The Panel

Decided:

- (1) to note the summary of changes relevant to the annual planning process resulting from the new Global Internal Audit Standards (GIAS) In the UK Public Sector (Paras 3.3 and 4.1) and agree that a report outlining all requirements and responsibilities of the new standards be brought to a future Audit and Governance Panel;
- (2) to approve the Audit Strategy ([Appendix 1](#));
- (3) to approve the Annual audit plan and reserve list for 2025-26 ([Appendix 2](#)); and
- (4) to approve the revised Internal Audit Charter ([Appendix 3](#)).

8. **Strategic Risk Management.**

There was submitted a report ([issued](#)) of 19 March 2025 by the Acting Risk and Safety Service Lead updating Members on the reviewed Strategic Risk Register (Appendix 1) in line with the agreed reporting framework.

A Member questioned what process was being used to identify strategic versus operational risks and enquired if community level risks were included. The Acting Service Lead - Risk Safety advised that the Service, reached out to Service Leads on a six-monthly basis to ask what risks they felt impacted the delivery of their service objectives at operational level. This was reported to the Executive Leadership Team (ELT) and discussions took place to establish if any of the risks should be escalated to strategic level. The Acting Service Lead confirmed that she would expect community risks to form part of that discussion. If any risks became established as part of a service issue, they could be included at any point.

A Member referred to the figures on page 12 and asked for clarification on how these figures were devised. The Acting Service Lead - Risk Safety stated that she would revert to the officer concerned and report back to the Panel.

A Member queried financial inclusion and in particular the short-term funding of the initiatives and asked if there was any consideration in place about these initiatives and how they could be put on a more sustainable footing. The Service Lead - Thriving Communities advised that short term funding was an issue, and that other options were still being explored for funding. He advised that it would be a decision for the Council to create sustainable recurring budgets.

A Member asked for clarification on the dates shown on page 18 of the final appendix regarding the mitigations. They stated that several of these dates, relating to ICT, items 1, 2 and 4 showed past dates and asked if these had been completed. The Assistant Director - Transformation confirmed that she would pick this up with ICT and report back to Panel.

In response to a query about Prevent, the Chief Governance Officer stated that a briefing would be given to Elected Members either in person or in writing to give them a better understanding of the Prevent Programme. The Chair commented that this would be very helpful and most welcome.

A Member questioned how well integrated risk management was in relation to frontline decision making when delivering transformation or controversial policies. The Acting Service Lead - Risk Safety advised that, in terms of risk management, it should be factored into all decisions in terms of Transformation work, there had been a lot of work undertaken in specific project related risk registers to capture any risks that were specific to activities that had been undertaken. Assistance would be given to services to ensure they had specific project registers to assist them in decision-making processes.

The Assistant Director - Transformation advised that in terms of Transformation or Change Projects there was a risk management strategy that was in place that all Officers involved in developing and delivering change must follow. That involved conducting a full risk assessment at the development stage and re-assessing once the business case had been approved and onto implementation. Risks were managed and reviewed on an ongoing basis, a minimum of once per month, and if they were above a particular threshold, they would go to the Transformation Delivery Group. Risk escalation arrangements were in place for the Transformation Board, so they had an oversight at the highest Officer level within the Council.

The Panel

Decided: having considered the reviewed Strategic Risk Register (Appendix 1) updated by Chief Officers; to note the 16 key risks and to endorse the work currently being undertaken or proposed by risk owners to mitigate these risks.

The meeting ended at 12:21pm.

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 2025

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
1.	External Audit Reports – Progress to 31 March 2025	Report to Panel	Chief Financial Officer	7 May 2025 (Quarterly)	Report to this panel
2.	Audit Scotland: Integration Joint Boards - Finance Bulletin 2023/24	Report to Panel	Director of Health and Social Care	7 May 2025	Report to this panel
3.	Audit Scotland: A Review of Housing Benefit Overpayments 2018/19 to 2021/22	Report to Panel	Chief Financial Officer	7 May 2025	Report to this panel
4.	Best Value Action Plan – Progress Update	Report to Panel	Depute Chief Executive and Director of Education	4 June 2025 (Quarterly)	Being drafted
5.	Audit and Governance Panel – 2024/25 Annual Report	Report to Panel	Chief Financial Officer/ Chief Governance Officer	4 June 2025 (Annually)	Being drafted
6.	Corporate Fraud Team- Activity Report and 2023/2024 National Fraud Initiative Update	Report to Panel	Chief Internal Auditor	4 June 2025	Being drafted
7.	The Global Internal Audit Standards (GIAS) in the UK Public Sector	Report to Panel	Chief Internal Auditor	4 June 2025	Being drafted
8.	Annual Accounts 2024/25	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Not yet started

Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
9.	Corporate Lets	Report to Panel	Director of Communities and Transformation	25 June 2025 (Annually)	Not yet started
10.	Delivering Good Governance – 2024/25 Assessment	Report to Panel	Assistant Director - Corporate Policy, Strategy and Performance	25 June 2025 (Annually)	Not yet started
11.	Internal Audit Annual Report 2024/25	Report to Panel	Chief Internal Auditor	25 June 2025 (Annually)	Not yet started
12.	Treasury Management Annual Report 2024/25	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Not yet started
13.	Audit Scotland: Integration Joint Boards – Finance and Performance 2025	Report to Panel	Chief Financial Officer	September 2025 (Annually)	Not yet started
14.	Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet Started
15.	Internal Audit – Progress Report Quarter 1	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started
16.	Treasury Management and Investment Strategy Quarter 3 Update Report 2025/26	Report to Panel	Chief Financial Officer	September 2025 (Quarterly)	Not yet started
17.	Strategic Risk Management	Report to Panel	Chief Governance Officer	September 2025 (Biannually)	Not yet started

Audit and Governance Panel

	Issue	Actions	Assigned To	Due Date to Panel	Latest update
18.	South Ayrshire IJB External Annual Audit Report 2024-25	Report to this Panel	Director of Health & Social Care	November 2025 (Annually)	Not yet started
19.	Audit and Governance Panel – 2025 Annual Self-Assessment Outcome	Report to Panel	Chief Financial Officer/ Chief Governance Officer	December 2025 (Annually)	Not yet started
20.	Annual Audit Plan 2024/25	Report to Panel	Chief Financial Officer	March 2026 (Annually)	Not yet Started
21.	Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)	Report to Panel	Chief Internal Auditor	March 2026 (Annually)	Not yet started

South Ayrshire Council

**Report by Chief Financial Officer
to Audit and Governance Panel
of 7 May 2025**

**Subject: Audit Scotland: A Review of Housing Benefit
Overpayments 2018/19 to 2021/22**

1. Purpose

- 1.1 The purpose of this report is to present the findings and recommendations included in the Audit Scotland report 'A Review of Housing Benefit Overpayments 2018/19 to 2021/22), published in February 2025.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 notes the findings and recommendations from the Audit Scotland report (attached as Appendix 1); and

2.1.2 notes the local arrangements in place at paragraph 4.2.

3. Background

- 3.1 In February 2025, Audit Scotland published a report entitled 'A Review of Housing Benefit Overpayments 2018/19 to 2021/22'. The key messages as summarised in the report are as follows:

3.1.1 Between 2018/19 and 2021/22, over 260,000 households in Scotland received Housing Benefit each year and Scottish councils paid out more than £5.4 billion, supporting some of the most vulnerable people in our communities. Therefore, it is important that councils process Housing Benefit claims accurately and timeously to ensure that customers receive the right amount of benefit at the right time, as this helps minimise overpayments and the costs associated with recovering them.

3.1.2 In 2021/22, the amount of Housing Benefit overpayments outstanding in Scotland was £137 million, a decrease of ten per cent from £153 million in 2018/19. This was achieved despite significant service pressures during the Covid-19 pandemic. However, since 2008/09, the initial period of our last review, the overall level of outstanding Housing Benefit debt has increased by eight per cent.

3.1.3/

- 3.1.3 Councils have failed to discharge their statutory duty to ensure that Housing Benefit overpayments are recovered efficiently and effectively by not having sufficient data to give a robust assessment of overpayment recovery performance, or by using all available recovery options. Utilising all available options is increasingly important as financial pressures on councils tighten.
- 3.1.4 During the four-year period of our review, Scottish councils underperformed in the recovery of Housing Benefit overpayments when compared to councils in England and Wales.

4. Proposals

- 4.1 It is proposed that Members consider and note the terms of the Audit Scotland report (Appendix 1) and the following recommendations:
 - 4.1.1 **Resources** - Councils with Housing Benefit overpayment recovery staff located outside the benefit service should consider integrating recovery staff within the benefit service.
 - 4.1.2 **Accuracy** - Where possible, accuracy checks should be conducted before payment to minimise the risk of fraud and error, reducing the costs of recovering avoidable Housing Benefit overpayments, and enhancing the customer experience.
 - 4.1.3 **Methods of Recovery** - Councils should employ all available options to recover Housing Benefit overpayments. This will ensure customers are treated fairly and equitably, reduce financial losses and help deter future non-compliance.
 - 4.1.4 **Housing Benefit Debt Service** - Councils should consider integrating the use of the service into their Housing Benefit debt recovery strategy and maintain detailed records of outcomes to enable reporting to senior managers and elected members on the effectiveness of its use.
 - 4.1.5 **Repayment Arrangements** - Councils should review Housing Benefit overpayment repayment arrangements set at a reduced rate at least every six months to ensure the recovery rate remains optimal.
 - 4.1.6 **Monitoring of Performance** - Councils should establish targets for the recovery of Housing Benefit overpayments and maintain detailed records to monitor the effectiveness and impact of recovery efforts, enabling performance to be reported to senior managers and elected members.
- 4.2 In terms of South Ayrshire Council's own response and arrangements in relation to the above recommendations, it should be noted that:
 - 4.2.1 The most effective method of Housing Benefit Overpayments (HBO) recovery is via deductions from ongoing benefit entitlement, which is administered by Benefits staff. In the 4 years covered by this audit an average of 65% of HBO recovered was done so using this method. Where this method of recovery is not possible HBO is recovered by the Council's Revenues Services alongside other income streams i.e. Council Tax, Business Rates and Customer Invoicing.

- 4.2.2 Accuracy is key to reducing overpayments before claims enter the benefits system. As noted in the report, South Ayrshire Council Housing Benefit accuracy checks are undertaken pre award and our accuracy rate for the years included in this audit exercise were an average of 99% with 2020/21 and 2021/22 recorded as 100% accurate.
- 4.2.3 Where HBO cannot be recovered from ongoing entitlement recovery is referred to the Revenues Team. HBO is recovered by a number of different methods, including deductions from other DWP Benefits, recovery from Rent Account Credits and by referring unpaid HBO invoices to Stirling Park, Sheriff Officers who are contracted to recover debt for all other income streams i.e. Council Tax, Business Rates and Customer Invoicing. Stirling Park utilise all forms of debt recovery that the law allows to maximise income, however it should be noted that customers who were in receipt of Housing Benefits often have arrears for multiple debt streams and where limited payments are being recovered priority may be given to collection of recurring debt such as Council Tax.
- 4.2.4 HBO will continue to be recovered where possible via deductions from ongoing benefit, however as the HB caseloads reduce due to Universal Credit Migration, more HBO recovery will be referred to the Revenues team, for alternative debt recovery methods. Revenues will continue to review the processes used to recover HBO alongside the other recurring debt such as Council taking into account external issues such as the cost of living crisis and the resources required to utilise all methods of HBO recovery. It should be noted that where HBO cannot be recovered from other DWP benefits the standard debt recovery process remains the same as all other income streams where accounts with arrears are referred to Stirling Park for further recovery action.
- 4.2.5 Where HBO is being recovered from ongoing entitlement the repayment rate is generally set at the maximum allowed dependent on any personal circumstances of individual customers. Revenues may offer repayment plans prior to debt being referred to Stirling Park for recovery. Should the customer default on a repayment plan the account is automatically referred to Stirling Park for further action.
- 4.2.6 HBO recovery performance is monitored by Revenues and Benefits senior staff and reported quarterly to the DWP

5. Legal and Procurement Implications

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

6. Financial Implications

- 6.1 Not applicable.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Integrated Impact Assessment (incorporating Equalities)

9.1 The proposals in this report do not require to be assessed through an Integrated Impact Assessment.

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 and the report aligns with IJB Strategic Priority 'We are ambitious and effective partnership'.

13. **Link to Shaping Our Future Council** Yes ☐ No ☒

13.1 Not applicable.

14. Results of Consultation

14.1 There has been no public consultation on the contents of this report.

14.2 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 None

Person to Contact Tim Baulk, Chief Financial Officer
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612620
E-mail tim.baulk@south-ayrshire.gov.uk

Date: 25 April 2025

A review of Housing Benefit overpayments 2018/19 to 2021/22

A thematic study



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
February 2025

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Key messages

- 1** Between 2018/19 and 2021/22, over 260,000 households in Scotland received Housing Benefit each year and Scottish councils paid out more than £5.4 billion, supporting some of the most vulnerable people in our communities. Therefore, it is important that councils process Housing Benefit claims accurately and timeously to ensure that customers receive the right amount of benefit at the right time, as this helps minimise overpayments and the costs associated with recovering them.
 - 2** In 2021/22, the amount of Housing Benefit overpayments outstanding in Scotland was £137 million, a decrease of ten per cent from £153 million in 2018/19. This was achieved despite significant service pressures during the Covid-19 pandemic. However, since 2008/09, the initial period of our last review, the overall level of outstanding Housing Benefit debt has increased by eight per cent.
 - 3** Councils have failed to discharge their statutory duty to ensure that Housing Benefit overpayments are recovered efficiently and effectively by not having sufficient data to give a robust assessment of overpayment recovery performance, or by using all available recovery options. Utilising all available options is increasingly important as financial pressures on councils tighten.
 - 4** During the four-year period of our review, Scottish councils underperformed in the recovery of Housing Benefit overpayments when compared to councils in England and Wales.
-

Recommendations

It is important that councils process Housing Benefit claims accurately and timeously to ensure that customers receive the right amount of benefit at the right time, as this helps minimise overpayments and the costs associated with recovering them.

To drive improvement, councils should share good practice on the recovery of Housing Benefit overpayments and consider the following recommendations:

1. Resources

Integrating Housing Benefit overpayment recovery staff within the council's benefit service has been correlated with higher overpayment recovery rates:

- Councils with Housing Benefit overpayment recovery staff located outside the benefit service should consider integrating recovery staff within the benefit service ([paragraph 21](#)).

2. Accuracy

Conducting accuracy checks after a payment has been made increases the risk of fraud and error and incurs costs associated with recovering avoidable Housing Benefit overpayments:

- Where possible, accuracy checks should be conducted before payment to minimise the risk of fraud and error, reducing the costs of recovering avoidable Housing Benefit overpayments, and enhancing the customer experience ([paragraph 31](#)).

3. Methods of recovery

Councils are not fully utilising all available recovery options to recover Housing Benefit overpayments:

- Councils should employ all available options to recover Housing Benefit overpayments. This will ensure customers are treated fairly and equitably, reduce financial losses and help deter future non-compliance ([paragraph 35](#)).

4. Housing Benefit Debt Service

The Department for Work and Pensions' Housing Benefit Debt Service is underutilised leading to missed opportunities for councils to recover dormant Housing Benefit debt:

- Councils should consider integrating the use of the service into their Housing Benefit debt recovery strategy and maintain detailed records

of outcomes to enable reporting to senior management and elected members on the effectiveness and impact of its use [\(paragraph 42\)](#).

5. Repayment arrangements

Councils are not regularly reviewing Housing Benefit overpayment repayment arrangements to ensure that the amount being recovered is set at an optimal rate:

- Councils should review Housing Benefit overpayment repayment arrangements set at a reduced rate at least every six months to ensure the recovery rate remains optimal [\(paragraph 49\)](#).

6. Monitoring and performance reporting

There is a lack of Housing Benefit overpayment recovery targets and performance reporting to elected members:

- Councils should establish targets for the recovery of Housing Benefit overpayments and maintain detailed records to monitor the effectiveness and impact of recovery efforts, enabling performance to be reported to senior managers and elected members [\(paragraph 57\)](#).

Introduction

About our report

1. In 2013, Audit Scotland published a thematic study entitled [Review of housing benefit overpayments 2008/09 to 2011/12](#). The purpose of the report was to benchmark Scottish council's performance in recovering Housing Benefit (HB) overpayments and identify areas for improvement and good practice that could help enhance HB recovery processes, procedures and performance.
2. Since the publication of this report, the HB landscape has undergone significant changes, presenting substantial challenges for councils. In particular, the phased rollout of Universal Credit (UC) since 2013, combined with the widespread impact of the Covid-19 pandemic from 2020 onwards, has fundamentally altered HB administration and delivery.
3. Where possible, our report aims to directly compare HB overpayment recovery performance over the same four-year period of our previous review. It also considers other aspects of benefit service delivery that might impact recovery performance, makes recommendations for improvement, and identifies areas of good practice that can be shared across the local authority community.
4. All 32 Scottish councils were invited to participate in the review, with 26 councils (81 per cent) responding by completing an online questionnaire. East Renfrewshire Council and Na h-Eileanan Siar were unable to participate due to operational reasons. However, it is disappointing that Clackmannanshire Council, Midlothian Council, Stirling Council and The Highland Council did not respond.
5. The data and analysis in our report are based on the online questionnaire responses and have not been independently validated. To ensure completeness, for the six councils that did not participate in the review, or where we identified data anomalies in the other councils' responses, where possible, the information was sourced from Department for Work and Pensions' (DWP) published data.
6. However, it was not possible to source data regarding the six councils' participation in the DWPs' Housing Benefit Debt Service (HBDS), as this information is not published.
7. We would like to thank all councils that participated in the review, in particular officers from Argyll and Bute Council, City of Edinburgh Council,

Falkirk Council and South Lanarkshire Council for their assistance in developing and reviewing the online questionnaire.

Housing Benefit Debt Recoveries

There has been significant improvement in Housing Benefit Debt Recoveries data completion rates since our previous review, reflecting enhanced data accuracy and reporting practices

8. In 2008, the DWP introduced the Housing Benefit Recoveries and Fraud (HBRF) scheme, which collected data from councils on the amount of HB overpayments that were outstanding, identified, recovered, and written off, and information on fraud investigations carried out.

9. In 2016, following the transfer of most local authority fraud investigations to DWP's Fraud and Error Service, the fraud element was removed from the data collection and the scheme was renamed Housing Benefit Debt Recoveries (HBDR).

10. HBDR data is provided by councils to DWP quarterly and is published by DWP twice a year, six months in arrears, as detailed in [Exhibit 1](#).

Exhibit 1

HBDR data collection and publishing schedule (example)

Date collected from councils	Date published	Period
30 Jun 2021		
30 Sep 2021	Mar 2022	Apr 2021 to Sep 2021
31 Dec 2021		
31 Mar 2022	Sep 2022	Apr 2021 to Mar 2022

Source: DWP

Data return rates

11. It is important that councils provide a complete overpayment dataset to DWP to ensure accurate national statistics and enable effective performance comparison across Scotland and the United Kingdom.

12. In our previous study '[Review of housing benefit overpayments 2008/09 to 2011/12](#)' we reported that many council's data returns to DWP were incomplete. However, since then, there have been significant improvements in data completion rates, as detailed in [Exhibit 2](#).

Exhibit 2

HBDR data completion rates

All data	Complete
2008/09 to 2011/12	48%
2018/19 to 2021/22	88%

Source: DWP

13. The improvement over our previous review period is very positive and could be attributed to several factors, including more accurate and complete data entry into benefit IT systems and enhancements in software provided by benefit IT system suppliers.

14. Although the overall level of data completion has significantly improved, [Exhibit 3](#) breaks down the HBDR data into its four component parts to identify specific areas where councils may have been less able to provide the requisite data.

Exhibit 3

HBDR data completion rates (four components)

Data component	Completion rate 2008/09 to 2011/12	Completion rate 2018/19 to 2021/22
Total amount of outstanding debt	79%	88%
Total amount of overpayments identified	80%	90%
Total amount of overpayments recovered	77%	88%
Total amount of overpayments written off	49%	88%

Source: DWP

15. A more complete dataset allows DWP and other agencies to better monitor councils' HB debt recovery performance and engage with councils that need support.

Delivering the service

Processes and procedures are not optimised, and not all available options are being utilised to maximise HB overpayment recovery.

HB overpayment recovery performance is not routinely reported to elected members, compromising transparency and accountability in the management and protection of public funds.

Resources

Utilising staff within the benefit service to manage the recovery of HB overpayments correlates with higher recovery levels

16. Recovering HB overpayments effectively requires significant resources, especially when the debt cannot be collected through deductions from ongoing benefits, the most efficient method. In such instances, an invoice (sundry debt) is issued, and councils will initially pursue debt recovery through the following methods:

- **Within the benefit service:** Using multi-skilled officers responsible for all aspects of claims administration, or dedicated officers who specialise solely in managing and recovering HB overpayments.
- **Outwith the benefit service:** Using officers from another council department (eg, corporate debt team).

17. Understanding these differences is crucial for evaluating recovery performance and identifying best practice. For example, using staff within the benefit service can be advantageous, as it provides the service with full control over the debt recovery process and utilises the expertise of benefit service staff, who can maintain existing relationships with customers.

18. [Exhibit 4 \(page 11\)](#) outlines the approach and number of councils with full-time equivalent (FTE) staff involved in the HB recovery process for 24 councils that provided data.

19. Full details for all councils are available in the [Technical Supplement, Exhibit 1 \(page 8\)](#).

Exhibit 4

HB overpayment recovery resources (24 councils)

	2018/19	2019/20	2020/21	2021/22
Number of councils with FTE HB recovery staff within the benefit service	15	15	14	14
Number of councils with FTE HB recovery staff outwith the benefit service (eg, corporate debt team)	9	9	10	10

Note: Argyll and Bute Council had FTE HB recovery staff within the benefit service in 2018/19 and 2019/20 and outwith the benefit service in 2020/21 and 2021/22.

Source: Scottish councils

20. [Exhibit 4](#) above shows that more than half of councils' benefit services utilise staff within the service to recover HB overpayments. To assess the effectiveness of this approach, we examined overpayment recovery performance from 2018/19 to 2021/22 across all 32 Scottish councils. The findings are as follows:

- **2018/19:** 11 of the 12 top performers (92 per cent) had HB overpayment recovery staff within the benefit service.
- **2019/20:** nine of the 10 top performers (90 per cent) had HB overpayment recovery staff within the benefit service.
- **2020/21:** nine of the 11 top performers (82 per cent) had HB overpayment recovery staff within the benefit service.
- **2021/22:** 10 of the 13 top performers (77 per cent) had HB overpayment recovery staff within the benefit service.

21. This analysis suggests a strong correlation between having HB overpayment recovery staff within the benefit service and achieving better levels of overpayment recovery performance.

Recommendation 1

Integrating HB overpayment recovery staff within the council's benefit service has been correlated with higher overpayment recovery rates. Councils with HB overpayment recovery staff located outwith the benefit service should consider integrating recovery staff within the benefit service.

Accuracy

Conducting accuracy checks before a payment is made contributes towards improved accuracy levels, helping to ensure that the right benefit is paid to the right person at the right time




22. Checking the accuracy of HB claims is crucial to ensure that the right benefit is paid to the right person at the right time. This process helps to:

- minimise the potential for underpayments, and the costs associated with pursuing avoidable HB overpayments
- reduce the risk of fraud and error
- provide an audit trail to ensure that errors are corrected
- provide information on accuracy performance that can be reported within the service, and to senior management and elected members.

23. [Exhibit 5](#) details the average reported financial accuracy performance for the 26 councils in our study for each year, and for the four-year period of our review.

Exhibit 5

HB financial accuracy performance 2018/19 to 2021/22 (26 councils)

Council	2018/19	2019/20	2020/21	2021/22	18/19 to 21/22 (average)
Scotland (average)	95%	96% 	95% 	94% 	95%

Source: Scottish councils

24. As detailed in the [Technical Supplement, Exhibit 2 \(page 10\)](#), there was a wide variation in average performance levels, ranging from 84 per cent (Scottish Borders) to 99 per cent (East Ayrshire, East Dunbartonshire, Inverclyde, Moray, South Ayrshire). It is concerning that five councils (Falkirk, Fife, North Ayrshire, Orkney Islands, and Shetland Islands) were unable to provide complete data for each year of the review period.

25. To highlight the importance of financial accuracy, the potential impact of inaccuracies in council caseloads (overpayments, underpayments, fraud) each year can be estimated using average accuracy performance across Scotland for the four-year review period, (95 per cent), the annual amount of HB expenditure, as detailed in the [Technical Supplement](#),

[Exhibit 11 \(page 27\)](#), and the total amount of overpayments identified ([Exhibit 15, page 24](#)), as shown in [Exhibit 6](#).

Exhibit 6

Potential amount of fraud/error within HB caseloads (Scotland)

	2018/19	2019/20	2020/21	2021/22
Total HB expenditure	£1.5 billion	£1.4 billion	£1.3 billion	£1.2 billion
Potential amount of fraud/error (5 per cent)	£75 million	£70 million	£65 million	£60 million
Total amount of overpayments identified	£42 million	£35 million	£22 million	£23 million
Potential amount of undetected fraud/error	£34 million	£35 million	£43 million	£37 million

Source: DWP and Scottish councils

26. [Exhibit 6](#) shows that, between 2018/19 and 2021/22, £149 million of fraud and error could potentially remain undetected within Scottish councils' caseloads. To reduce this, it is essential for councils to have a robust quality checking framework against which performance can be assessed and reported, with the aim of achieving continuous improvement in the accuracy of claims.

27. In our review, we asked councils whether accuracy checks were conducted pre-payment, post-payment, or a combination of both. [Exhibit 7](#) details the responses for 26 councils.

Exhibit 7

Timing of HB accuracy checks (26 councils)

	2018/19	2019/20	2020/21	2021/22
Pre-payment	3	4	4	4
Post payment	2	2	2	2
Mix of pre-payment and post payment	21	20	20	20

Source: Scottish councils

28. Since 2018/19, of the 21 councils that provided complete accuracy performance data, only four (19 per cent) reported conducting accuracy checks pre-payment (East Lothian, Moray, South Ayrshire, and West Lothian).

29. However, these councils all reported an average accuracy level above the Scottish average of 95 per cent, with two (Moray and South Ayrshire) achieving an average accuracy level of 99 per cent.

30. In contrast, among the 17 other councils (81 per cent) that provided complete accuracy performance data and conducted accuracy checks post-payment or a mix of pre-payment and post-payment, only ten (59 per cent) reported performance at, or above, the Scottish average.

31. This analysis reinforces the benefits of conducting accuracy checks pre-payment as it helps improve accuracy performance by allowing councils to correct errors before a payment is made. Although it is not always possible to perform pre-payment checks due to the timing of payment runs, it has a number of operational benefits, including:

- Preventing fraud and error from entering the benefit system, therefore reducing the number of avoidable overpayments and the associated recovery costs.
- Minimising the number of requests for reconsideration and appeals.
- Maximising DWP subsidy payments.
- Providing a better customer experience, by helping to ensure the right benefit is paid to the right person at the right time.

Recommendation 2

Conducting accuracy checks after a payment has been made increases the risk of fraud and error and incurs costs associated with recovering avoidable HB overpayments. Where possible, accuracy checks should be conducted before payment to minimise the risk of fraud and error, reducing the costs of recovering avoidable HB overpayments, and enhancing the customer experience.

Methods of recovery

Councils are not fully utilising all available options to maximise the recovery of HB overpayments

32. When a HB overpayment occurs, councils should use all available options to recover the debt. Proper management of the recovery process is essential to maintain the integrity of the benefit system.

33. There are many options available to councils which can be utilised depending on the customer's circumstances and the potential for recovery. Only as a last resort should a council consider writing off a HB overpayment. Recovery options include:

- **Direct Earnings Attachment (DEA):** Permits the deduction of a specified amount from a customer's salary without requiring a court order.
- **DWP's Payment Deduction Programme:** Enables councils to recover HB overpayments directly from a customer's ongoing DWP benefits.
- **External debt recovery agent:** Usually engaged to recover difficult HB debts when all other recovery options have been exhausted.
- **Recovery from ongoing deductions:** If a customer continues to receive HB based on their updated circumstances, an overpayment can be recovered through ongoing payments.

34. [Exhibit 8](#) provides a breakdown showing the number of councils that have utilised each of the available recovery options to manage and recover HB overpayments. A summary of the number of options used by each council during our review period is provided in the [Technical Supplement, Exhibit 3 \(page 13\)](#).

Exhibit 8

Number of councils using each available HB recovery option (26 councils)

	2018/19	2019/20	2020/21	2021/22
Blameless tenant	17	17	17	17
Direct Earnings Attachment	11	15	18	17
DWP Payment Deduction Programme	23	24	25	24
External debt recovery agent	20	20	20	20
From a council in another area	4	4	4	4
Offsetting underlying entitlement	26	26	26	26
Recovery from ongoing deductions	26	26	26	26
Rent account credit (21 councils ¹)	21	21	21	21
Using arrears of HB	23	23	23	23
Councils using all available options	3	3	3	3

Note 1: Five councils had no council housing stock.

Source: Scottish councils

35. It is concerning that only three councils (Aberdeenshire, Angus, and Dundee City) utilised all available recovery options to pursue HB debt. Not using all available options restricts councils' ability to maximise debt recovery, can lead to delays in engaging with customers, and may incur additional costs, particularly if external debt recovery agents are involved.

Recommendation 3

Councils should employ all available options to recover HB overpayments. This will ensure customers are treated fairly and equitably, reduce financial losses and help deter future non-compliance.

Housing Benefit Debt Service

Councils are not fully utilising the Department for Work and Pensions' Housing Benefit Debt Service to facilitate the recovery of dormant debt

36. Launched in April 2018, the Housing Benefit Debt Service (HBDS) is a DWP initiative designed to assist councils in recovering overpaid HB by providing real-time accurate information about debtors' employment and income details.

37. This free service offers councils an electronic facility to upload up to 1,200 dormant HB overpayments per month to DWP. The details are then matched against DWP and HMRC systems, streamlining the debt recovery process, helping to safeguard public funds, and providing councils with an additional option for recovering HB overpayments.

38. When a customer's information is matched, DWP provides councils with updated address, employment, or pension details.

39. Although provided at no cost to councils, eight of the 26 councils (31 per cent) reported that they did not use the HBDS during the four-year period of our review. Among the 18 councils (69 per cent) that did utilise the service, insufficient record-keeping led to incomplete data, preventing a detailed analysis of the outcomes.

40. We asked councils that had not used the service to advise the reasons, and these are provided in the [Technical Supplement, Exhibit 4 \(page 15\)](#).

41. While there might be valid reasons for not fully utilising the service, it has proven highly effective in helping some councils re-engage with customers when debts have been difficult to recover. For example,

[Exhibit 9](#) highlights the outcomes achieved by City of Edinburgh, Falkirk, and Inverclyde councils use of the service between 2018/19 and 2021/22.

Exhibit 9

HBDS outcomes 2018/19 to 2021/22

Council	Number referred	Number matched	Percentage matched	Amount of debt recovered
City of Edinburgh	2,807	1,878	67 per cent	£146,999
Falkirk	424	311	73 per cent	£20,812
Inverclyde	706	671	95 per cent	£84,780

Source: Scottish councils

42. Recovering dormant debt is often challenging and may result in the debt being written off if a council cannot engage with the customer after all available options have been exhausted.

Recommendation 4

The DWPs' HBDS is underutilised leading to missed opportunities for councils to recover dormant HB debt. Councils should consider integrating the use of the service into their HB debt recovery strategy and maintain detailed records of outcomes to enable reporting to senior management and elected members on the effectiveness and impact of its use.

Repayment arrangements

Councils are not consistently reviewing HB overpayment repayment arrangements to ensure that the amount being recovered is set at an optimal rate

43. When a customer has been overpaid HB, councils have several options for recovering the debt. If the customer continues to receive HB, the debt is recovered through deductions from ongoing payments. However, if the customer is no longer receiving HB, a sundry debt invoice is issued, requesting full repayment.

44. Councils aim to ensure that customers who have been overpaid can repay the debt within their means, and most have dedicated specialist staff to offer debt advice and guidance on income maximisation. For example, City of Edinburgh Council's [Advice Shop](#) offers a free debt and money advice service to help people manage debts more easily and prevent

further debts arising. Additionally, third sector agencies such as [Citizens Advice](#) and [Shelter](#) also provide customers with independent advice and support.

45. If a customer claims hardship, and the overpayment is not due to fraud, councils will conduct an income and expenditure assessment. This could lead to a reduction in the amount being recovered through ongoing deductions, or the establishment of an affordable repayment plan if the customer is no longer receiving HB.

46. It is considered good practice to regularly review reduced repayment arrangements to assess whether the customer's circumstances have changed and if the recovery rate remains appropriate.

47. We asked councils how frequently they reviewed repayment arrangements at a reduced level to ensure the recovery rate remained optimal. [Exhibit 10](#) details the responses.

Exhibit 10

Repayment arrangement review period (26 councils)

Frequency	Councils
Every month	Argyll and Bute, East Dunbartonshire, North Lanarkshire, Renfrewshire, Shetland Islands (5)
Every three months	Inverclyde, Orkney Islands (2)
Every six months	Scottish Borders, South Lanarkshire (2)
Annually	Aberdeen City, Dundee City, Fife, Glasgow City, Moray, Perth and Kinross (6)
Other	City of Edinburgh ¹ , Falkirk ² , North Ayrshire ³ (3)
Never	Aberdeenshire, Angus, Dumfries and Galloway, East Ayrshire, East Lothian, South Ayrshire, West Dunbartonshire, West Lothian (8)

Notes:

1. Annually from 2018/19 to 2019/20, 18–24 months from 2020/21 to 2021/22.

2. Annually from 2018/19 to 2019/20, never from 2020/21 to 2021/22.

3. Every 3–6 months.

Source: Scottish councils

48. As a customer's circumstances can change frequently without the council's knowledge, regular reviews of repayment arrangements help ensure that overpayments recovered at a reduced rate are maintained at an optimal level.

49. However, many councils do not conduct these reviews regularly, missing opportunities to increase revenue or offer support to customers facing hardship.

Recommendation 5

Councils should review HB overpayment repayment arrangements set at a reduced rate at least every six months to ensure the recovery rate remains optimal.

Monitoring and performance reporting

Only 13 councils in our review (50 per cent) had a HB overpayment recovery target during the period 2018/19 to 2021/22

50. Regularly reporting HB overpayment recovery performance against targets to senior management and elected members is important for several reasons:

- **Transparency and accountability:** Ensures transparency in the management and protection of public funds and holds the benefit service and elected members accountable for the council's performance in recovering HB debt.
- **Informed decision-making:** Senior management and elected members can make informed decisions regarding resource allocation, policy adjustments, and strategic planning based on up-to-date performance data.
- **Performance monitoring:** Enables continuous monitoring of recovery efforts, highlighting areas of success, and identifying opportunities for improvement. This helps maintain efficiency and effectiveness in recovery operations.

51. When reporting performance, councils should document HB overpayment recovery targets to help senior management and elected members assess performance in context.

52. We asked the 26 councils in our review whether they had a HB overpayment recovery target. [Exhibit 11 \(page 20\)](#) details the responses.

Exhibit 11

HB overpayment recovery target (26 councils)

	2018/19	2019/20	2020/21	2021/22
HB overpayment recovery target	13	13	13	13
No HB overpayment recovery target	13	13	13	13
Total	26	26	26	26

Source: Scottish councils

53. As councils are responsible for making best use of public funds and for recovering over £153 million in outstanding HB overpayments since 2018/19, it is disappointing that 50 per cent of councils did not set a HB overpayment recovery target during the four-year period of our review.

54. We also asked councils how frequently they reported HB overpayment recovery performance to elected members when a recovery target was in place. [Exhibit 12](#) details the responses.

Exhibit 12

Reporting frequency of HB overpayment recovery performance to elected members between 2018/19 and 2021/22 (13 councils)

Frequency	Councils
Quarterly	East Lothian, West Dunbartonshire (2)
Annually	Moray, North Ayrshire, South Ayrshire (3)
Never	Angus, City of Edinburgh, Dundee City, East Dunbartonshire, Fife, Glasgow City, Inverclyde, South Lanarkshire (8)

Source: Scottish councils

55. Elected members play a vital role in the governance and performance of councils, and are responsible for ensuring that councils operate efficiently, effectively, transparently, and in the best interests of residents.

56. It is therefore concerning that 13 out of the 26 councils (50 per cent) in our review had no overpayment recovery target. Furthermore, of the 13 councils that had a target, eight (62 per cent) did not report performance to elected members.

57. Full details for each council are provided in the [Technical Supplement, Exhibit 5 \(page 16\)](#).

Recommendation 6

Councils should establish targets for the recovery of HB overpayments and maintain detailed records to monitor the effectiveness and impact of recovery efforts and enable performance to be reported to senior managers and elected members.

Local authority error and administrative delay overpayments

Councils are effective in minimising local authority error and administrative delay overpayments

58. Local authority error and administrative delay overpayments typically result from mistakes by a council during the claims administration process. For example:

- Errors in calculating HB due to incorrect data entry, misapplication of regulations, or misunderstanding the customer's circumstances.
- Delays in processing reported changes in circumstances, resulting in incorrect benefit payments continuing longer than necessary.

59. As detailed in the [Technical Supplement, paragraph 17 \(page 6\)](#), councils with local authority error and administrative delay overpayments that reach or exceed 0.48 per cent (lower threshold) of the total amount of correct payments made risk losing between 60 per cent and 100 per cent of their subsidy from DWP for those claims. It is therefore crucial that councils remain below the lower threshold.

60. During the four-year period of our review, only two councils (East Dunbartonshire and East Lothian) exceeded the lower threshold, both in 2021/22. However, these councils also exceeded the upper threshold of 0.54 per cent, resulting in a significant financial impact, as no subsidy was payable for their local authority error and administrative delay overpayments for that financial year.

61. Although uncommon for councils to exceed the upper threshold, the example of East Dunbartonshire Council highlights the importance of minimising local authority error and administrative delay overpayments. By exceeding the upper threshold in 2021/22, the council was unable to claim over £87,000 in subsidy from the DWP.

62. Full details for all councils are provided in the [Technical Supplement, Exhibit 6 \(page 18\)](#).

Overpayment recovery performance (Scotland)




63. The recovery of overpaid HB is a key responsibility for councils and plays a crucial role in managing public funds effectively and upholding the integrity of the benefit system. Proper recovery practices help to prevent financial losses and ensure that resources are used appropriately.

Total amount of outstanding overpayments

64. [Exhibit 13](#) shows the total amount of outstanding HB overpayments at the start of each financial year, which accounts for the debt identified, recovered, and written off the previous year. The figure for 2021/22 reflects the amount of HB debt outstanding at the end of that financial year, completing the four-year review period.

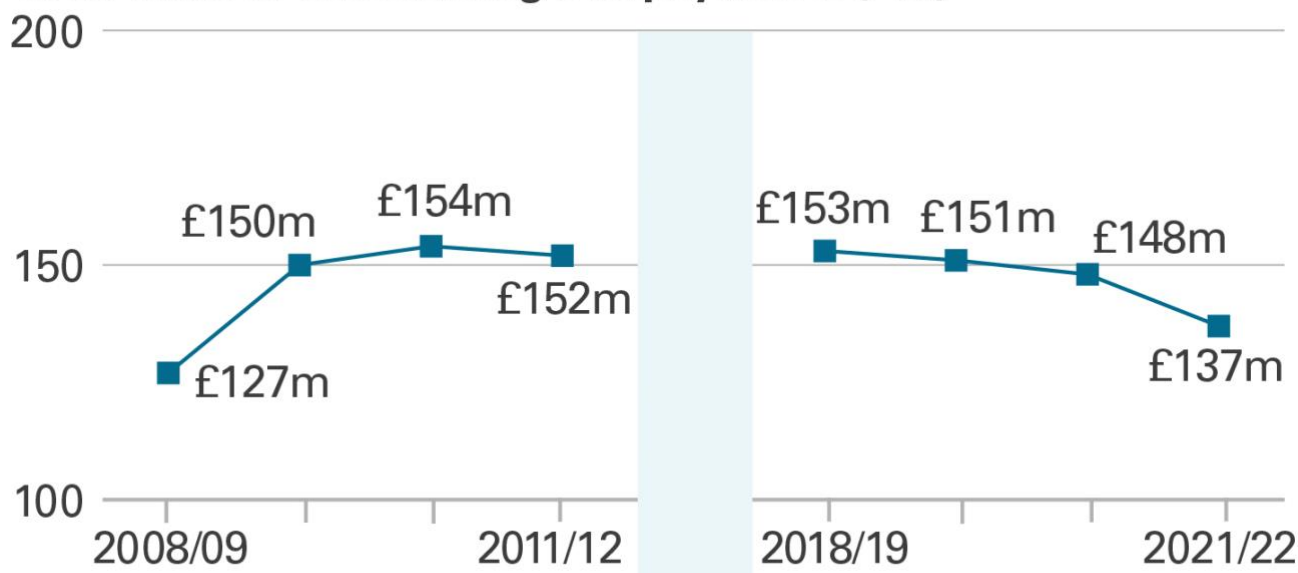
Exhibit 13

Amount of outstanding HB overpayments from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
Scotland	£153m	£151m 	£148m 	£137m 	-10%

Source: DWP and Scottish councils

65. During the review period, Scottish councils recovered approximately 10 per cent of outstanding HB debt, representing a significant improvement compared to the 2008/09 to 2011/12 period, when the amount of outstanding HB debt increased by 20 per cent, from £127 million to £152 million, as detailed in [Exhibit 14 \(page 23\)](#).

Exhibit 14**Comparison of outstanding HB debt (2008/09 to 2011/12 and 2018/19 to 2021/22)****Total value of outstanding overpayments (£m)**

Source: DWP and Scottish councils

66. Although a significant improvement compared to the previous review period, the overall amount of outstanding HB debt had increased by around £10 million (eight per cent) from 2008/09 to 2021/22, despite a reduction in the HB caseload of approximately 179,000, largely due to the migration of benefit claims to Universal Credit (UC). This rise therefore indicates that Scottish councils had not effectively minimised overpayments or reduced the overall amount of outstanding HB debt.

Total amount of overpayments identified

67. Identifying HB overpayments is a crucial aspect of benefit administration, as it reveals the extent of fraud and error in the caseload. This can be achieved in several ways, for example:

- **Proactive:** Carrying out data matching, management checks, and claim reviews to detect unreported changes in circumstances.
- **Reactive:** When a customer or third party (eg, landlord, agent) informs the local authority of a change in circumstances that results in an overpayment.

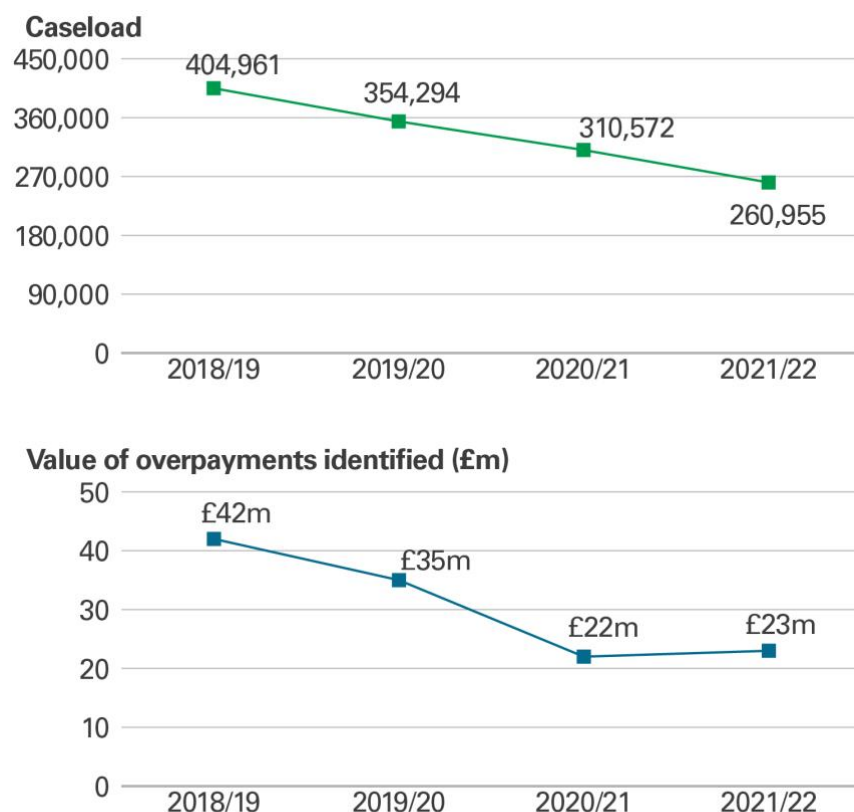
68. As detailed in [Exhibit 15 \(page 24\)](#), there has been a significant reduction in the amount of overpayments identified in Scottish councils during our review period.

Exhibit 15**Total amount of HB overpayments identified from 2018/19 to 2021/22**

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
Scotland	£42m	£35m ↓	£22m ↓	£23m ↑	-45%

Source: DWP and Scottish councils

69. Although the exact reasons for this reduction cannot be fully explained without further detailed information, two key factors are likely contributors. As detailed in [Exhibit 16](#), the 36 per cent reduction in the HB caseload between 2018/19 and 2021/22 closely correlates with the 45 per cent reduction in the amount of overpayments identified. This reduction is likely due to DWP being responsible for recovering new housing cost overpayments in respect of HB claims that migrated to UC.

Exhibit 16**Amount of HB overpayments identified compared to reduction in HB caseloads from 2018/19 to 2021/22**

Source: DWP and Scottish councils

70. The second likely contributory factor is the Covid-19 pandemic, especially during 2020/21 and 2021/22. During this period, councils primarily operated remote HB services and redeployed available benefit service staff to administer the Scottish Government support schemes.

71. In 2020/21, the first year of the pandemic, the reported decrease in accuracy checking and overpayment recovery activity aligns with a 37 per cent reduction in the amount of overpayments identified. This contrasts with a 12 per cent reduction in HB caseloads during the same period.

72. Additionally, in the early stages of the pandemic, to safeguard customers and staff and minimise disruption to benefit processing, DWP recommended that councils adopt its 'Trust and Protect' principles outlined below:

- **Trust:** When verifying evidence by phone, councils should trust the information being provided by the customer. This allows councils to support customers who are unable to obtain or supply evidence.
- **Protect:** Verifying a customer's evidence by telephone helps protect frontline colleagues and customers by ensuring they do not have to leave their homes to supply documents or obtain evidence so they can receive financial support.




73. Although this easement increased the risk of fraud and error, it was deemed necessary to avoid delays in processing claims for customers that could not provide documentary evidence. However, when the easement was phased out in early 2021, the extent of fraud and error introduced into the benefit system during this period was unknown.

Total amount of overpayments recovered

74. [Exhibit 17](#) details the total amount of HB overpayments recovered by Scottish councils each year.

Exhibit 17

Total amount of HB overpayments recovered from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22	2018/19 to 2021/22
Scotland	£36m	£31m 	£22m 	£22m 	-39%

Source: DWP and Scottish councils

75. [Exhibit 17](#) shows a significant drop in HB debt recovered during the review period, which in 2020/21 and 2021/22 can, in part, be attributed to the impact of the pandemic as detailed above.

76. Additionally, between March 2020 and June 2020, the DWP advised councils to temporarily suspend the recovery of HB overpayments to ease the financial burden on individuals affected by the pandemic and to help customers maintain financial stability during the crisis.

77. After this period, councils were advised to resume the recovery of HB overpayments but were encouraged to do so with sensitivity to individuals' circumstances, especially where customers were still experiencing financial hardship due to the pandemic.

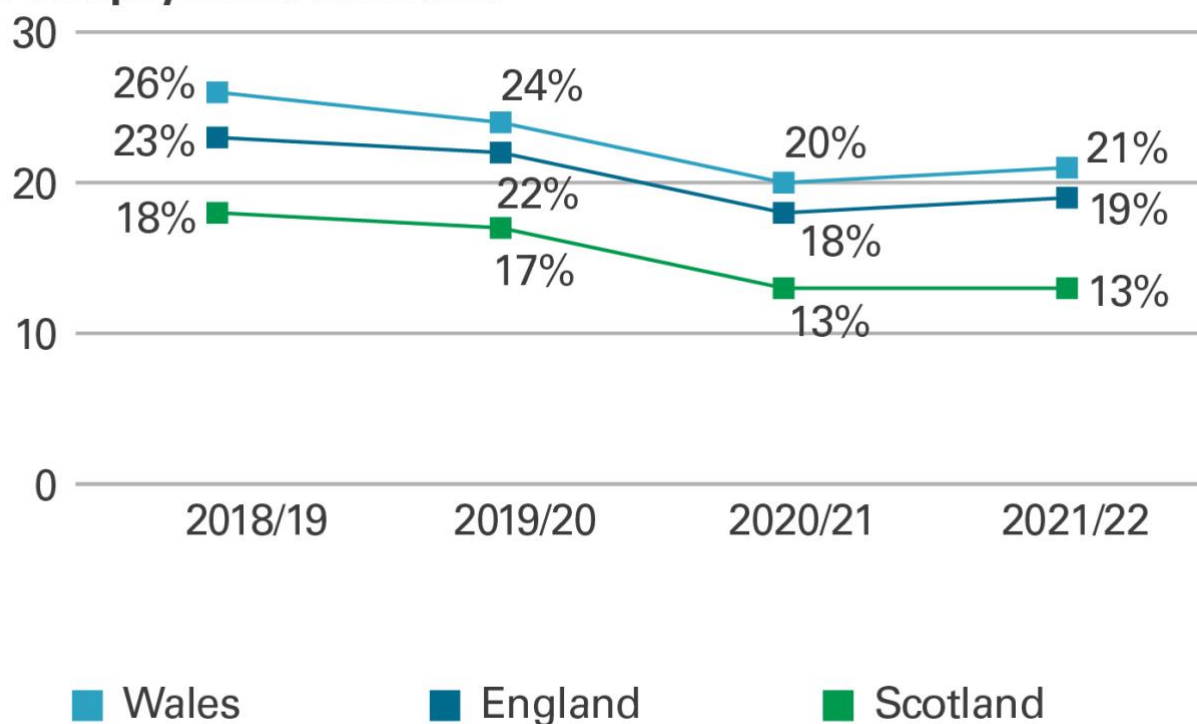
78. Although the suspension period was short, the impact of reduced income for councils and the challenges of re-engaging with customers should not be underestimated.

79. To put Scottish council's performance into context, [Exhibit 18](#) shows the total amount of overpayments recovered as a percentage of the total amount of outstanding debt, compared to councils in England and Wales.

Exhibit 18

Percentage of outstanding HB overpayments recovered from 2018/19 to 2021/22

% of overpayments recovered



Source: DWP

80. Although this graph shows a similar downward trend from 2018/19 to 2021/22 across Scotland, England, and Wales, the percentage of

overpayments recovered in England and Wales is significantly higher than in Scotland. This indicates that there is considerable scope for improvement and opportunities for Scottish councils to learn from practices in other parts of the United Kingdom.




Total amount of overpayments written off

81. Local authorities have specific policies and procedures for writing off HB debt to ensure decisions are made consistently and fairly, balancing the need to protect public funds with the practicalities of debt recovery. Writing off HB debt should be considered a last resort, after all available recovery options have been exhausted.

82. [Exhibit 19](#) shows the total amount of HB overpayments written off by Scottish councils each year, along with the percentage of the total amount of outstanding debt.

Exhibit 19

Total amount of HB overpayments written off from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
Scotland	£6.6m (4.3%)	£6.5m (4.3%) 	£5.1m (3.4%) 	£4.4m (3.2%) 

Source: DWP and Scottish councils

83. The downward trend in the amount of HB overpayments written off between 2018/19 and 2021/22 (a decrease of 33 per cent) is a positive development, suggesting that councils are becoming more focused on recovering overpayments. However, there is significant variation in councils' use of write-offs, as detailed in the [Technical Supplement, Exhibit 9 \(page 23\)](#).

Percentage of overpayments recovered

84. There are several key performance indicators that councils could use to assess the effectiveness of overpayment recovery activities.

85. For this review, we asked councils to report on two key performance indicators:

- **Amount of overpayments raised and recovered in-year:** This metric indicates a council's effectiveness in recovering recently identified debt.
- **Amount of overpayments recovered in-year:** This encompasses both current and previous years' overpayments, reflecting how well councils recover both new and aged debt.

86. Only six (23 per cent) of the 26 councils in our review were able to provide data on overpayments raised and recovered in-year. Consequently, we were unable to assess performance for this indicator due to insufficient data. However, all councils submitted data on the total amount of overpayments recovered in-year and [Exhibit 20](#) shows national recovery performance as a percentage of total outstanding debt.

Exhibit 20

Percentage of HB overpayments recovered as a proportion of total outstanding HB overpayments from 2018/19 to 2021/22

	2018/19	2019/20	2020/21	2021/22
Scotland	18%	17% ↓	13% ↓	13% ↗

Source: DWP and Scottish councils

87. Exhibit 20 above reflects an overall downward trend from 2018/19 to 2021/22. However, as discussed earlier, this trend can be partly attributed to several key external factors beyond councils' control, including:

- **Migration to UC:** As HB claims move to UC, ongoing automatic deductions used to recover HB overpayments cease, and the overpayment is converted to a sundry debt, making it more difficult to recover.
- **Pandemic impact:** In 2020/21, benefit service staff were actively involved in administering Scottish Government Covid-19 support schemes.
- **Suspension of HB overpayment recovery:** Following DWP advice, HB overpayment recovery activity was suspended for a period of three months (March to June 2020).
- **Cost-of-living crisis:** The cost-of-living crisis has exacerbated financial pressures on individuals, making it even more challenging for councils to recover HB debts.

Overpayment recovery performance (councils)

The amount of outstanding HB overpayments decreased by 10 per cent from £153 million in 2018/19 to £137 million in 2021/22. However, the overall trend since 2008/09 shows an overall increase in the amount of outstanding HB debt of eight per cent

88. This section provides a detailed analysis of HB overpayment recovery performance across individual Scottish councils and includes comparisons with the previous review period, 2008/09 to 2011/12, where possible. However, these comparisons should be viewed as illustrative only, due to various influencing factors, such as:

- **Declining HB caseloads:** In 2018/19, the HB caseload in Scottish councils was approximately 70,000 lower than in 2008/09, primarily due to the migration of claims to UC from 2013/14.
- **Resources:** Changes in resources or to the structure of the benefit service.
- **Covid-19:** The pandemic led to significant changes in how councils delivered benefit services.
- **Direct Earnings Attachment:** This recovery method has only been available to Scottish councils since April 2013.

89. We have discussed the impact of the pandemic in the previous section and recovery activity in more detail under [Methods of recovery](#)

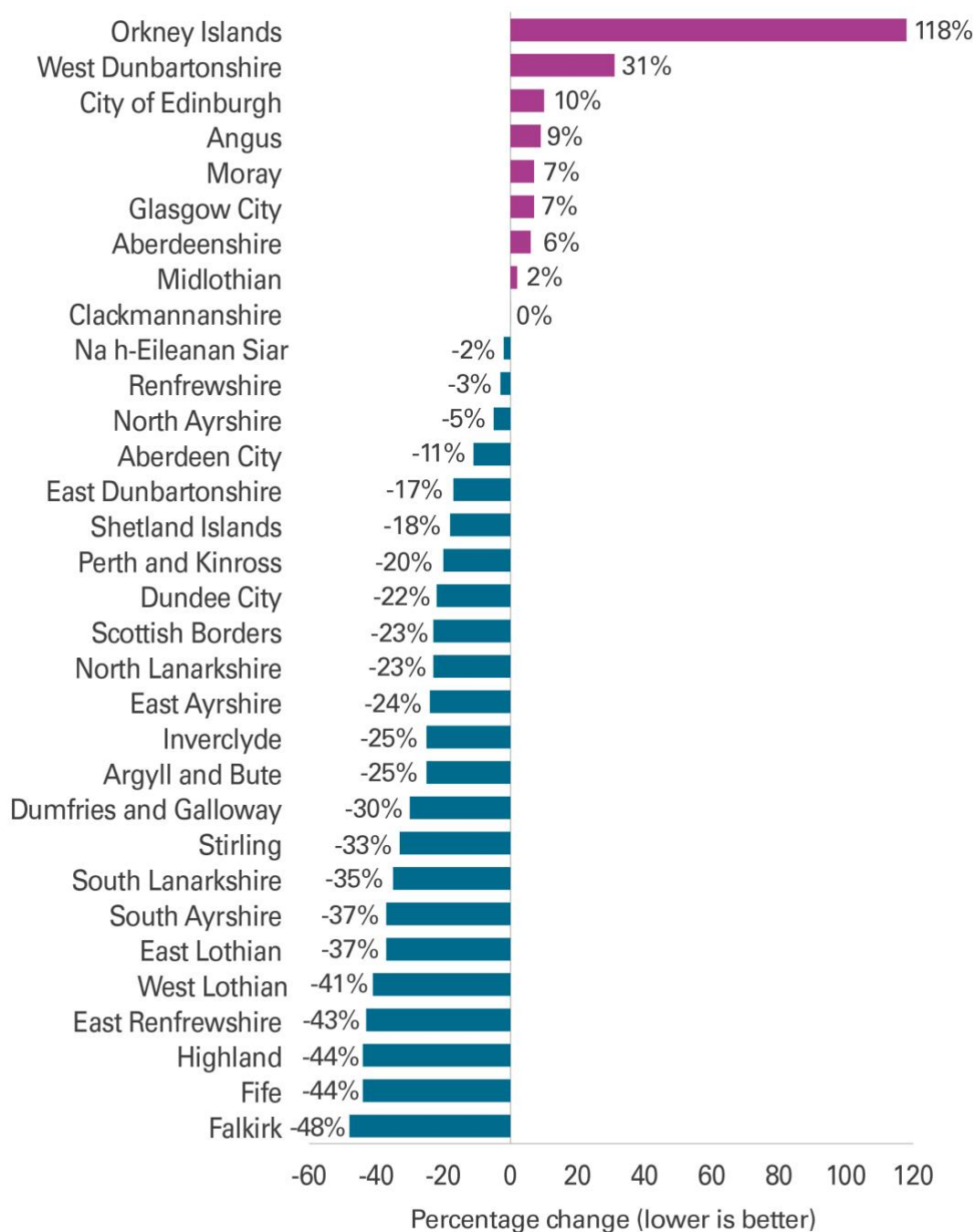
Total amount of outstanding overpayments

90. The amount of outstanding debt carried forward each year is a key indicator of a council's management of the debt recovery process. Councils should aim to reduce this amount annually, as a decrease would suggest improvements in claims processing accuracy and recovery performance, effectively lowering the overall amount of outstanding debt.

91. [Exhibit 21 \(page 30\)](#) shows the percentage change in the amount of outstanding HB debt for all 32 Scottish councils.

Exhibit 21

Percentage change in the amount of outstanding HB overpayments from 2018/19 to 2021/22 (32 councils)



Source: Scottish councils

92. [Exhibit 21](#) shows that 23 of the 32 councils (72 per cent) experienced a reduction in the amount of outstanding HB overpayments, in the range of minus 48 per cent (Falkirk) to minus two per cent (Na h-Eileanan Siar). Clackmannanshire Council reported no change.

93. Overall, when compared to our previous review covering the period 2008/09 to 2011/12, there has been a significant improvement. In that review, 24 of the 26 councils (92 per cent) experienced an increase in the amount of outstanding HB overpayments during the period, with rises ranging from 3 per cent (Highland) to 111 per cent (Perth and Kinross).

94. Full details for all 32 councils are provided in the [Technical Supplement, Exhibit 7 \(page 20\)](#).

Total amount of overpayments identified

95. The true extent of incorrectness in a council's HB caseload is unknown, as the number of identified overpayments only reflects claims where a known change in circumstances has been actioned after receiving information that led to a reassessment of the customer's entitlement.

96. A high percentage of identified overpayments does not necessarily indicate poor accuracy levels, as the more claims a council reviews, the greater the likelihood of uncovering fraud and error within the caseload.

97. Most councils experienced a reduction in the total amount of overpayments identified from 2018/19 to 2021/22. This can likely be attributed to a reduction in caseloads due to claims migrating to UC and, notably in 2020/21, the impact of the pandemic, which led to reduced accuracy checks and overpayment recovery activity.

98. Full details are provided in the [Technical Supplement, Exhibit 8 \(page 22\)](#).































Percentage of overpayments recovered

99. The percentage of overpayments recovered is a key indicator for comparing HB recovery performance and is reported to DWP as part of the quarterly HBDR return. It provides insight into how effectively councils manage debt recovery. Monitoring this indicator helps councils and other key agencies assess performance and identify areas for improvement.

100. [Exhibit 22 \(page 32\)](#) shows the recovery performance of councils over the four-year period of our review, using the total amount of HB overpayments recovered as a percentage of the total amount of outstanding HB overpayments.

Exhibit 22**Percentage of HB overpayments recovered from 2018/19 to 2021/22 (32 councils)**

Council	2018/19	2019/20	2020/21	2021/22
Aberdeen City	16%	15% ↓	13% ↓	11% ↓
Aberdeenshire	17%	15% ↓	11% ↓	13% ↑
Angus	25%	21% ↓	16% ↓	11% ↓
Argyll and Bute	19%	18% ↓	14% ↓	20% ↑
City of Edinburgh	15%	13% ↓	11% ↓	9% ↓
Clackmannanshire	14%	9% ↓	10% ↑	6% ↓
Dumfries and Galloway	28%	25% ↓	23% ↓	28% ↑
Dundee City	18%	16% ↓	13% ↓	14% ↑
East Ayrshire	17%	19% ↑	14% ↓	13% ↓
East Dunbartonshire	15%	14% ↓	13% ↓	14% ↑
East Lothian	11%	11% ↔	10% ↓	12% ↑
East Renfrewshire	15%	13% ↓	6% ↓	19% ↑
Falkirk	16%	16% ↔	13% ↓	16% ↑
Fife	21%	22% ↑	20% ↓	25% ↑
Glasgow	22%	19% ↓	13% ↓	12% ↓
Highland	17%	16% ↓	12% ↓	18% ↑
Inverclyde	20%	21% ↑	22% ↑	21% ↓
Midlothian	21%	17% ↓	12% ↓	14% ↑
Moray	19%	20% ↑	13% ↓	13% ↔
Na h-Eileanan Siar	24%	23% ↓	22% ↓	23% ↑
North Ayrshire	20%	19% ↓	14% ↓	16% ↑
North Lanarkshire	21%	23% ↑	15% ↓	18% ↑
Orkney Islands	41%	50% ↑	20% ↓	22% ↑

Council	2018/19	2019/20	2020/21	2021/22
Perth and Kinross	24%	25% 	16% 	18% 
Renfrewshire	13%	11% 	10% 	11% 
Scottish Borders	23%	22% 	17% 	17% 
Shetland Islands	26%	38% 	30% 	24% 
South Ayrshire	17%	12% 	11% 	11% 
South Lanarkshire	20%	19% 	15% 	18% 
Stirling	21%	20% 	18% 	17% 
West Dunbartonshire	12%	11% 	7% 	7% 
West Lothian	20%	20% 	16% 	18% 
Scotland (average)	18%	17% 	13% 	13% 

Source: DWP

101. [Exhibit 22](#) shows a wide variation in recovery performance among Scottish councils with recovery rates ranging from seven per cent at West Dunbartonshire Council in 2020/21, to 50 per cent at Orkney Islands Council in 2019/20.

102. Despite an improvement in 2021/22, when 23 councils (72 per cent) were above the Scottish average, performance for many councils remained below the Scottish average across several years.

103. Specifically, 13 councils (41 per cent) in 2018/19, 13 councils (41 per cent) in 2019/20, 10 councils (31 per cent) in 2020/21, and nine councils (28 per cent) in 2021/22, were below the average for each year. Consequently, performance levels in Scotland during the period lagged those in England and Wales, as detailed in [Exhibit 18](#).

104. [Exhibit 22](#) also highlights the impact of the pandemic on recovery performance in 2020/21, as 30 out of 32 councils (94 per cent) reported a decline in performance when compared to 2019/20. Only Inverclyde Council and Clackmannanshire Council delivered an improved recovery performance during this period.

105. However, it is encouraging to note that, following the initial impact of the pandemic, 18 of the 30 councils (60 per cent) that reported a decline in performance in 2020/21 had improved recovery levels in 2021/22.

106. To provide context to Scottish councils' recovery performance, [Technical Supplement, Exhibit 10 \(page 25\)](#) shows each council ranked from 1 (best performer) to 32 (worst performer) for each year of our four-year review period.

Total amount of overpayments written off

107. The total amount of overpayments written off could indicate that a council has inadequate processes and procedures for recovering HB debt, especially if the percentage of debt written off compared to the total amount of outstanding debt is significantly higher than that of councils with similar debt levels.

108. We found a significant variation in the percentage of HB debt written off across Scottish councils, ranging from zero per cent in 2021/22 (Argyll and Bute and North Ayrshire) to 34.2 per cent in 2020/21 (Highland).

109. Full details are provided in the [Technical Supplement, Exhibit 9 \(page 23\)](#).

110. However, without a detailed analysis of write-off decisions, it is challenging to assess whether councils have taken appropriate action, especially if the percentage of HB debt written off is notably higher than the Scottish average.

111. Additionally, since eight of the 26 councils in our review did not utilise the DWP's HBDS during the review period, it is possible that not all decisions were optimal. The HBDS, a free DWP service, has proven effective in providing councils with updated information on dormant debt, thereby supporting recovery efforts, as detailed at [Exhibit 9](#).

A review of Housing Benefit overpayments 2018/19 to 2021/22

A thematic study



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South Ayrshire Council

Report by Chief Financial Officer to Audit and Governance Panel of 7 May 2025

Subject: External Audit Reports – Progress to 31 March 2025

1. Purpose

- 1.1 The purpose of this report is to provide Members with an update on the progress that the Council is making in relation to external audit improvement actions.

2. Recommendation

- 2.1 **It is recommended that the Panel scrutinises the progress against the Council's external audit improvement actions as presented in this report.**

3. Background

- 3.1 The Final Report on the 2023/24 Audit was presented to the Audit and Governance Panel (Special) of 26 September 2024. This report covers progress against the three recommended improvement actions from that report.

4. Proposals

- 4.1 Progress to 31 March 2025 is summarised below:

Status of External Audit Actions as at 31 March 2025	Completed since 31 Dec 2024	On Target	Not on Target	Total
Annual Report on 2023/24 Audit – Sept 24	2	-	1	3
Overall	2	-	1	3

- 4.2 During the reporting period, two actions from the 2023/24 External Audit report were completed as noted in [Appendix 1](#). At the time of writing one action remained outstanding beyond the due date, as noted in the appendix, however the action was due to complete following consideration of a planned report to Council on 1 May 2025.

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 None.

7. Human Resources Implications

7.1 None.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 There are no risks associated with adopting the recommendations.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Integrated Impact Assessment (incorporating Equalities)

9.1 The proposals in this report do not require to be assessed through an Integrated Impact Assessment.

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. Link to Shaping Our Future Council Yes ☐ No ☒

13.1 Not applicable.

14. Results of Consultation

14.1 There has been no public consultation on the contents of this report.

14.2 Consultation has taken place with Councillor Martin Dowey, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

Background Papers **Report to Audit and Governance Panel (Special) of 26
September 2024 – [Final Report on the 2023/24 Audit](#)**

Person to Contact **Tim Baulk, Chief Financial Officer
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612620
Email tim.baulk@south-ayrshire.gov.uk**

Date: **25 April 2025**

External Audit Reports - Still to complete + completed

Generated on: 21 March 2025

Rows are sorted by Code

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
EA2023/24 Final Report on the 2023/24 Audit	Recommendation Where significant fully depreciated assets are still in use they should be revalued and depreciated over their remaining useful economic life. Other assets should be considered for disposal. Management Response A review of fully depreciated assets held in the asset register will be undertaken. Where the asset is continuing, the economic life will be reviewed and extended. Where there is no longer a use for the asset it will be considered for disposal or derecognition	31-Dec-2024	Kevin Braidwood	12-Mar-2025 Required updates have been actioned in the Asset Register in advance of the financial year end.	✓	100%	31-Mar-25 (agreed by AGP 29 Jan 2025)	12-Mar-2025
EA2023/24 Final Report on the 2023/24 Audit	Recommendation All rental agreements and support service agreements should be reviewed and updated as required. Management Response A paper reviewing the service and rental agreements between the council and the Common Good is currently being prepared and will be submitted to Members for formal consideration and approval later this year.	31-Dec-2024	Kevin Braidwood	21-Mar-2025 Members briefing took place during April 2025. A draft paper is complete and progressing through clearance and is due to be presented to Council for approval on 1 May.	●	95%	31-Mar-25 (agreed by AGP 29 Jan 2025)	
EA2023/24 Final Report on the 2023/24 Audit	Recommendation To comply with the council's capital management processes, a revised business case to support the expenditure on the refurbishment of the Ayr Citadel Leisure Centre should be reported. The council should ensure that all projects in its capital programme are	31-Dec-2024	Kevin Braidwood	12-Mar-2025 Refurbishment of the Citadel briefing note issued to all Members on 11 March 2025 outlining the background, the scope of works, the financial implications and progress to date on the works being undertaken.	✓	100%	31-Mar-25 (agreed by AGP 29 Jan 2025)	12-Mar-2025

Report Title	Action	Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Completed Date
	<p>supported by up-to-date business cases, that comply with the good practice set out in Audit Scotland's report on major capital investment in councils.</p> <p>Management Response A revised business case has been completed for the Citadel Refurbishment and will be submitted to Members for formal consideration and approval later this year.</p>							

South Ayrshire Council

**Report by Director of Health and Social Care Partnership
to Audit and Governance Panel
of 7 May 2025**

**Subject: Audit Scotland: Integration Joint Boards – Finance
 Bulletin 2023/24**

1. Purpose

- 1.1 The purpose of this report is to present the findings of the Audit Scotland report entitled 'Integration Joint Boards – Finance Bulletin 2023/24', published in March 2025.

2. Recommendation

2.1 It is recommended that the Panel:

2.1.1 notes the findings of the Audit Scotland report (attached as Appendix 1); and

2.1.2 notes the local arrangements in place at paragraph 4.2.

3. Background

- 3.1 In March 2025, Audit Scotland published a report entitled 'Integration Joint Boards – Finance Bulletin 2023/24'. The key messages as summarised in the report are as follows:

3.1.1 Integration Joint Boards' (IJBs) finances continue to be precarious. IJBs 2023/24 funding has increased in real terms compared to 2022/23 but there is a concerning picture of continued overspending, depletion of reserves and required savings being met through one-off rather than recurring savings.

3.1.2 The majority of IJBs reported a deficit on the cost of providing services requiring unplanned use of reserves and additional contributions from partner bodies:

- Total reserves held by IJBs have reduced by 40 per cent in 2023/24. Contingency reserves have almost halved, limiting IJBs ability to address future deficits. Nine IJBs now do not hold any contingency reserves reducing their financial flexibility and increasing the risk to their financial sustainability.

- NHS boards and councils face significant financial challenges themselves and IJBs cannot continue to rely on their partners being able to find additional money to support them during the year. IJBs need to agree budgets that are realistic and transparent and to have strategies in place to manage in-year risks.

3.1.3 The majority of the total planned savings were achieved, but a substantial proportion were achieved on a one-off basis meaning these non-recurring savings need to be carried forward and covered each year to balance future budgets.

3.1.4 The financial position is set to worsen with a projected funding gap of £457 million in 2024/25. The budget process needs collaboration with partners and candid conversations with communities about the impact of the savings needed to set a balanced budget. The budgets and proposed savings need to be realistic and achievable.

3.1.5 A continued high turnover of chief officers and chief finance officers adds to the risks around effective strategic planning and decision-making.

3.1.6 IJBs need to be working collaboratively with each other and with their NHS and council partners to find ways to transform services so that they are affordable. Investment in prevention and early intervention is needed to help slow the ever-increasing demand for services, the cost of more complex care and, improve the experience and outcomes for people.

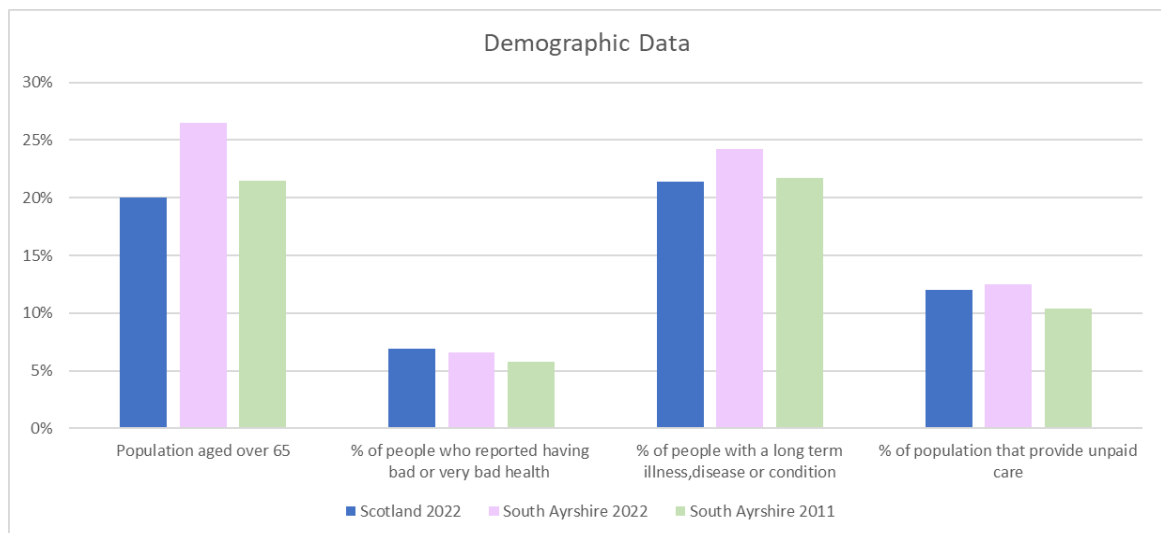
3.2 The attached Audit Scotland Report (Appendix 1) will be considered at the Integration Joint Board meeting on 14 May 2025.

4. Proposals

4.1 It is proposed that Members consider and note the terms of the Audit Scotland report (Appendix 1).

South Ayrshire Demographic Context

4.2 The Demographic context is essential in providing insights into the demand for health and social care services. The table below shows the Scotland Census data for 2022 compared to South Ayrshire data for 2022 and 2011. South Ayrshire data was taken from the Scotland Census website to provide the local demographic context in comparison to the national data.



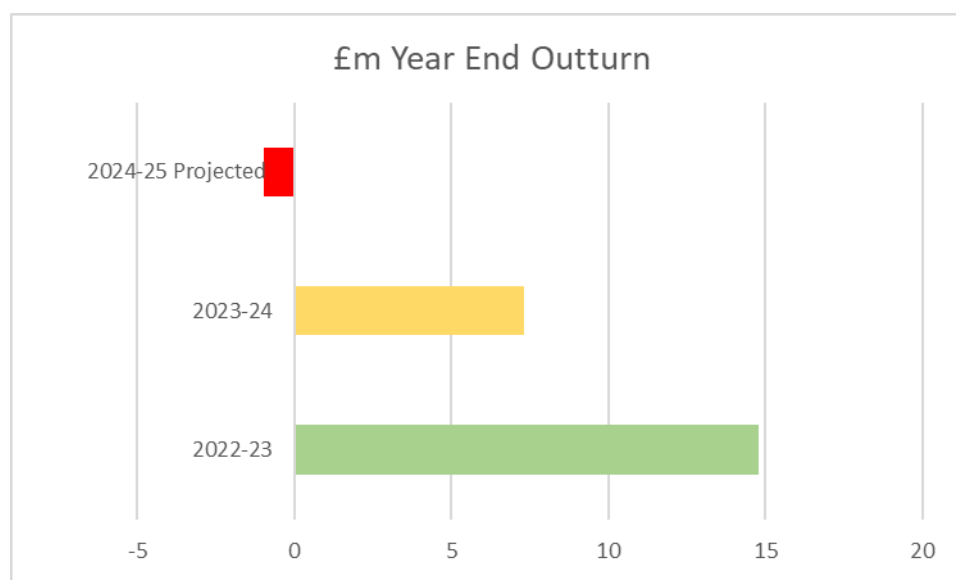
Source: Scotland's Census 2022 and 2011

- 4.3 South Ayrshire has 26.5% of population aged over 65, this has increased since 2011 and is higher than the national average. From a health perspective South Ayrshire have a higher % of the population with long term illness, diseases or conditions at 24.2% compared to Scotland at 21.4%. The number of unpaid carers within South Ayrshire is slightly higher than Scotland.
- 4.4 The combination of an ageing population and higher levels of longer-term illness increases demand on health and social care services. Early Intervention and prevention is critical to reduce levels of demand as well as promoting self-management to enable the population to take control in maintaining or improving their health conditions.
- 4.5 Recognising the ageing population in South Ayrshire as a priority area in demand for health and social care. During 2024-25 the [Ageing Well in South Ayrshire Strategy](#) was launched, the development of the strategy was a collaborative approach with South Ayrshire Community Planning Partnership, South Ayrshire Health and Social Care Partnership and Voluntary Action South Ayrshire (VASA). An Ageing Well Champions Board was created to bring the voices of the community into the discussion on how best to improve the health of our ageing population with a focus on prevention, early intervention and self-help.
- 4.6 The Ageing Well in South Ayrshire Strategy is accompanied with an action plan to support innovation within communities, give focus to the challenges faced and will underpin the IJB's commitment to support people to live well.
- 4.7 As well as an ageing population, South Ayrshire has a diminishing working age population. The dependency ratio is the population of children aged (0 to 15) and older people (aged 65 and over) expressed as a % of people aged 16 to 64. South Ayrshire has one of the highest dependency ratios for Scotland at 70.78% compared to Scotland figure of 56.81% (2021 figures).
- 4.8 The impact of a high dependency ratio is less available working age population to support the care needs of an increasing aged population. Workforce is a high risk to the HSCP and has been recognised as a national issue. The Scottish Government developed a workforce planning process.

- 4.9 [South Ayrshire HSCP Workforce Plan 2022-25](#) was approved on 12th October 2022, the plan is reviewed on an annual basis and the next iteration is being prepared in accordance with revised guidance issued by the Scottish Government.
- 4.10 The purpose of the workforce plan was to consider short-, medium- and longer-term workforce requirements within all health and social care disciplines. The plan included a detailed action plan with a broad range of activities based on the [National Workforce Strategy for Health and Social Care in Scotland](#) Five Pillars – Plan, Attract, Train, Employ and Nurture.
- 4.11 To support the action plan, a Staff Governance Group was established tasked with strategic direction and oversight. Four sub-groups were created aligned to the following key themes – Recruitment and Retention, Learning and Development, Wellbeing, and Strategic Planning.
- 4.12 Some of the actions progressed included, funding modern apprenticeship places, improvement in care at home recruitment onboarding process, review of posts to ensure skill mix, review of absence data and trends, development of a new HSCP induction session and working in collaboration with University West of Scotland.

Funding and Income

- 4.13 The report states that IJB funding has increased by 4% in real terms between 2022-23 and 2023-24. The funding split between NHS and Council partners remains around 70/30.
- 4.14 Twenty-four IJB's reported a deficit in the years 2022-23 and 2023-24 and required additional contributions from partner bodies and unplanned use of reserves. Of the twenty-four IJB's who reported a deficit, 11 received additional contributions to cover year end overspends and 16 made an unplanned drawdown from reserves.
- 4.15 Five IJB's reported a surplus in 2023-24, down from 19 in 2022-23. Reasons for surplus included delays in transformation and improvement projects and challenges in health and social care recruitment.
- 4.16 South Ayrshire IJB were one of the five reporting a surplus in the years 2022-23 and 2023-24 as noted in the table below. The latest projected outturn for 2024-25 is an overspend of £0.961m, this will be funded from use of uncommitted reserves.



- 4.17 The year end outturn includes SAIJB's share of lead partnership's services underspends in 22-23 and 23-24 and overspends in 24-25. The underspends over the two years were mainly due to challenges in recruitment and retention, this was within both NHS and Social Care employment and also community care providers. During this time there was a significant decrease in care at home providers capacity.
- 4.18 In 2022-23 the IJB approved £4m allocated to an Improvement and Innovation Fund, with a further £2m approved in 2023-24. The purpose of the fund was for services to access resources to redesign service delivery or invest in test of change to improve services with the aim of future financial sustainability. Due to levels of demand on health and care services the fund is also available to create capacity to reduce backlogs and waiting lists mitigating immediate pressures on the overall system.
- 4.19 The latest [Improvement and Innovation Fund](#) progress update was presented to the IJB on the 11th of Dec 24. This provided detail on how the fund had been accessed to meet the IJB strategic priorities as well as individual updates on specific projects. The progress report highlighted that the most prominent spend was to meet the priority "we focus on prevention and early intervention". This was one of the key messages from Audit Scotland report where investment in prevention and early intervention is needed to slow the ever-increasing demand for services, the cost of more complex care, improve the experiences and outcomes for people.

Savings Performance

- 4.20 Nationally the majority (79%) of planned savings were achieved, however a substantial proportion (43%) of these were only achieved on a one off basis. Non-recurring savings need to be carried forward and found again in future years.
- 4.21 Within South Ayrshire 95.3% of savings were achieved in 2023-24, this included £1m of staff turnover, which is non-recurring and as recruitment improves, savings will need to be found in the future. A review of this saving was included in the budget process for 25-26 and based on current projected outturn for staff turnover the saving has not been revised.
- 4.22 Savings of £5.713m were approved in the budget for 2025-26, with £2.271m identified as red or amber risk of achievement. Further work is being progressed in planning the achievement of these savings.

Reserves

- 4.23 The total IJB reserves held by IJB's have reduced in real terms by 40% in 2023-24. Part of the reduction is the use of ringfenced reserves for Covid-19 returned to the Scottish Government to support national policy objectives. Contingency (uncommitted) reserves have reduced by 49% limiting IJB's ability to address future deficits.
- 4.24 Due to the anticipated overspend this financial year, the IJB's uncommitted reserves of £4.237m will reduce to meet the actual year end overspend. The table below was included in the Budget for 2025-26 and shows the uncommitted reserves position as at 12th March 2025 when the projected overspend was £1.289m. The final actual year end position will be reported to the IJB on 11 June 2025 this will include the drawdown from uncommitted reserves to meet the in year overspend.

- 4.25 South Ayrshire IJB approved the budget for 2025-26 on 12 March. The budget utilising reserves in 2025-26 to bridge the budget gap on a non-recurring basis this is providing protection to maintaining a level of service delivery to meet the health and care needs in South Ayrshire.

	Earmarked Reserves	Improvement and Innovation Fund	Uncommitted Reserves	TOTAL
Reserves Balance	£m	£m	£m	£m
Opening Balance 01-04-24	7.421	5.811	4.237	17.469
Transferred Out	(5.507)	(1.632)	(1.289)	(8.428)
Committed		(2.152)		(2.152)
Transferred In	0.637			0.637
Balance Remaining 12-03-25	2.551	2.027	2.948	7.526
Request for Approval				
UASC - Children Services	(1.100)			(1.100)
Balance Budget 25-26			(1.000)	(1.000)
Improvement and Innovation Projects for approval		(0.499)		(0.499)
Anticipated Opening Balance 01-04-25	1.451	1.528	1.948	4.927

- 4.26 The IJB Reserves Strategy is to hold at least 2% of annual budgeted expenditure as general fund balance. For 2025-26 budget of £216.877m excluding Set Aside 2% is £4.337m. The anticipated balance following use of reserves to meet 2024-25 projected overspend and £1m to contribute to the 2025-26 budget gap will be £1.948m or 1% of annual budgeted expenditure as general fund balance.

Financial Management and Sustainability

- 4.27 Financial sustainability risks have been identified by auditors in the vast majority of IJB's. Audit Scotland report these risks included:

- Increasing reliance on non-recurring sources of income to meet overspends.
- Reserves level falling below minimum required as per individual reserves policies.
- Undeveloped/underdeveloped plans for the achievement of recurring savings to allow IJBs to reach a balanced financial position.
- Additional contributions being required from IJB partners to meet cost pressures.
- Inability to reduce reliance on agency and locum staff to ongoing recruitment challenges.

- 4.28 The upcoming financial year for South Ayrshire IJB will be the most financially challenging in recent years, with the medium term forecasted budget gap even more challenging. The IJB is now facing the same risks as other IJB's with diminishing

reserves, risk of achieving savings and funding allocations received to meet specific Scottish Government policies, with no additional funding to meet demographic demand.

- 4.29 The Budget for 2025-26 included the forecasted budget gap over the next 5 years to 2030-31, based on the assumption of flat cash settlement. The IJB Medium Term Financial Forecast will be developed, and savings plans presented to the budget gap.
- 4.30 If no further funding allocations are provided by Scottish Government for health and social care this will have a detrimental effect to service delivery and achieving the objectives within the IJB's Strategic Plan.
- 4.31 A review of the budget process is recommended to ensure both funding partners are fully aware of the budget pressures within the health and social care services delegated to the IJB. Providing partners with an opportunity to contribute funding from their overall funding allocations to help mitigate some of these pressures. Alternatively, the IJB will need to reduce services commissioned from partners impacting the health and wellbeing of people living in South Ayrshire.

5. Legal and Procurement Implications

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

6. Financial Implications

- 6.1 Not applicable.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

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

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 Rejecting the recommendations may impact on the reputation of the Council.

9. Integrated Impact Assessment (incorporating Equalities)

- 9.1 The proposals in this report do not require to be assessed through an Integrated Impact Assessment.

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 and the report aligns with IJB Strategic Priority 'We are ambitious and effective partnership'.

13. Link to Shaping Our Future Council Yes ☐ No ☒

- 13.1 Not applicable.

14. Results of Consultation

- 14.1 There has been no public consultation on the contents of this report.
- 14.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and Councillor Hugh Hunter, Portfolio Holder for Health and Social Care, and the contents of this report reflect any feedback provided.

Background Papers None

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Date: 25 April 2025

Integration Joint Boards

Finance bulletin 2023/24



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
March 2025

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Accessibility

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Key messages

- 1 Integration Joint Boards' (IJBs) finances continue to be precarious. IJBs 2023/24 funding has increased in real terms compared to 2022/23 but there is a concerning picture of continued overspending, depletion of reserves and required savings being met through one-off rather than recurring savings.
- 2 The majority of IJBs reported a deficit on the cost of providing services requiring unplanned use of reserves and additional contributions from partner bodies:
 - Total reserves held by IJBs have reduced by 40 per cent in 2023/24. Contingency reserves have almost halved, limiting IJBs ability to address future deficits. Nine IJBs now do not hold any contingency reserves reducing their financial flexibility and increasing the risk to their financial sustainability.
 - NHS boards and councils face significant financial challenges themselves and IJBs cannot continue to rely on their partners being able to find additional money to support them during the year. IJBs need to agree budgets that are realistic and transparent and to have strategies in place to manage in-year risks.
- 3 The majority of the total planned savings were achieved, but a substantial proportion were achieved on a one-off basis meaning these non-recurring savings need to be carried forward and covered each year to balance future budgets.
- 4 The financial position is set to worsen with a projected funding gap of £457 million in 2024/25. The budget process needs collaboration with partners and candid conversations with communities about the impact of the savings needed to set a balanced budget. The budgets and proposed savings need to be realistic and achievable.
- 5 A continued high turnover of chief officers and chief finance officers adds to the risks around effective strategic planning and decision-making.

- 6 IJBs need to be working collaboratively with each other and with their NHS and council partners to find ways to transform services so that they are affordable. Investment in prevention and early intervention is needed to help slow the ever-increasing demand for services, the cost of more complex care and, improve the experience and outcomes for people.
-

Introduction

- 1.** Integration Joint Boards (IJBs) are responsible for the governance, planning and resourcing of social care, primary and community healthcare and unscheduled hospital care for adults in their local area. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires the 32 Scottish councils and 14 territorial NHS boards to work together in partnerships to integrate how social care and community healthcare services are provided. IJBs were created as part of the Act. More information about the role of IJBs is set out in a short video available on our website [What are Integration Joint Boards?](#)
- 2.** On behalf of the Accounts Commission, Audit Scotland has undertaken an analysis of the IJB annual accounts for 2023/24 and the [annual audit reports](#) produced by local auditors. The data and analysis is published on the Audit Scotland website as an interactive online tool – [The IJB Finance bulletin 2023/24](#).
- 3.** The interactive online tool allows users to explore the financial performance of their local IJB, as well as compare individual IJBs. We anticipate this will be a useful resource for IJBs, their stakeholders and members of the public. It includes data on the funding and income and reserves position, outturn budget position, savings performance and financial outlook. The tool also includes local and national contextual data from the 2022 census that illustrates the increasing population pressures nationally and the significant variation across Scotland. Accompanying [guidance](#) on how to use the online tool is also available on the Audit Scotland website.
- 4.** This document provides a summary of the national level messages from the online Finance bulletin.
- 5.** Our findings are based on the 2023/24 annual accounts for 29 IJBs (27 audited and two unaudited), 2023/24 annual audit reports, as well as IJB budget documentation. The accounts for East Dunbartonshire IJB were unavailable at the time of publication.
- 6.** We have published the Finance bulletin as early as possible to help inform budget-setting discussions. Further information will be added to the data tool as it becomes available. By Autumn 2025, it will also include performance and outcome data.

Context

Demographic shifts are driving an increase in the demand and complexity of health and care needs

7. The pressures on Scotland's social care and healthcare services are escalating, with higher demand, workforce difficulties, and financial strains, further aggravated by inflationary cost pressures.

8. Scotland's wide-ranging population density also presents different logistical and workforce challenges, along with associated cost pressures, to providing services.

9. The 2022 Census sets out how the underlying factors impacting on the demand for social care and healthcare services have changed since 2011.

2022 Census data		Movement since 2011 census/range
Population	5.4 million	2.7% increase
Proportion of population aged over 65	20%	Increasing from 17%
Population density (residents per km ²)	70	Varying from 9 (Eilean Siar) to 3,555 (Glasgow)
Percentage of people who reported having bad or very bad health	7%	27% increase
Percentage of people with a long-term illness, disease or condition	21%	Increasing from 19%
Percentage of population that provide unpaid care	12%	28% increase

Source: Scotland's Census 2022

10. These societal changes result in an increased resource demand for social care and healthcare services and impact on the financial sustainability of these services as we set out later in this report.

Financial performance

The financial health of IJBs continues to weaken and there are indications of more challenging times ahead

IJB funding has increased in real terms compared to 2022/23

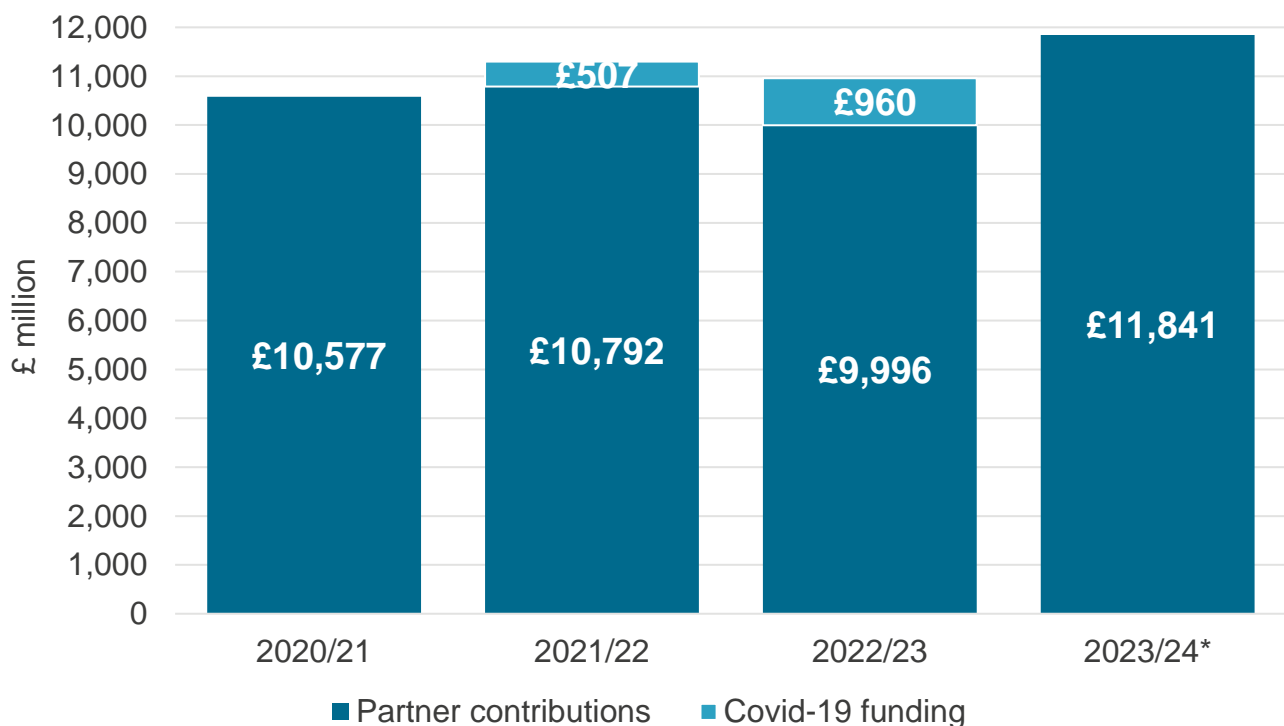
11. IJBs receive their funding as annually agreed contributions from their council and NHS board partners. Funding is largely received to cover in-year expenditure on providing services but can also be received for specific services and national initiatives to be funded in future years. The funding split between NHS and council partners remains around 70 per cent from NHS boards and 30 per cent from councils.

12. There has been a four per cent real-terms increase in IJB funding between 2022/23 to 2023/24 ([Exhibit 1](#)).

Exhibit 1

IJB Funding and income 2020/21 – 2023/24

Funding increased by four per cent in real terms in the past year



Note: * Position/movement excluding East Dunbartonshire IJB as accounts are unavailable.
Source: Audited accounts

The majority of IJBs reported a deficit on the cost of providing services requiring additional contributions from partner bodies and the unplanned use of reserves

13. Twenty-four IJBs reported a deficit on the cost of providing services with the majority (18) reporting a deficit between zero and three per cent ([Exhibit 2, page 9](#)).

14. Of the 24 IJBs reporting an operating deficit, 11 received additional contributions from partner bodies to cover the year end overspend and 16 made an unplanned drawdown from reserves. A number of IJBs will have received additional partner contributions during the year that will not be captured by this analysis. These additional in-year contributions can arise for a variety of reasons, including specific one-off cost pressures not anticipated during budget-setting.

15. Five IJBs reported an operational surplus, down from 19 in 2022/23. Reasons reported for surplus' included delays in the launch of some transformation and improvement projects and challenges in health and social care recruitment.

16. Recruitment and retention issues facing the sector persist, but the related savings from holding vacancies, that contributed to the majority of operational surpluses in 2022/23, are being outstripped by inflationary cost pressures and, reflecting the workforce pressures, a higher spend on agency/locum/bank staff. Other financial pressures driving the increase in the costs of providing services include increasing demand for services, prescribing costs and pay inflation.

Exhibit 2

Operational surplus/deficit as a proportion of the 2023/24 net cost of service

The majority of IJBs reported a deficit on the cost of providing services in 2023/24 requiring additional contributions from partner bodies and the unplanned use of reserves.



Note: * Comparable data for 2022/23 was not available for these IJBs. ** East Dunbartonshire IJB accounts unavailable.

Source: Audited accounts, auditor returns

The majority of the total planned savings were achieved, but a substantial proportion was achieved only on a one-off basis

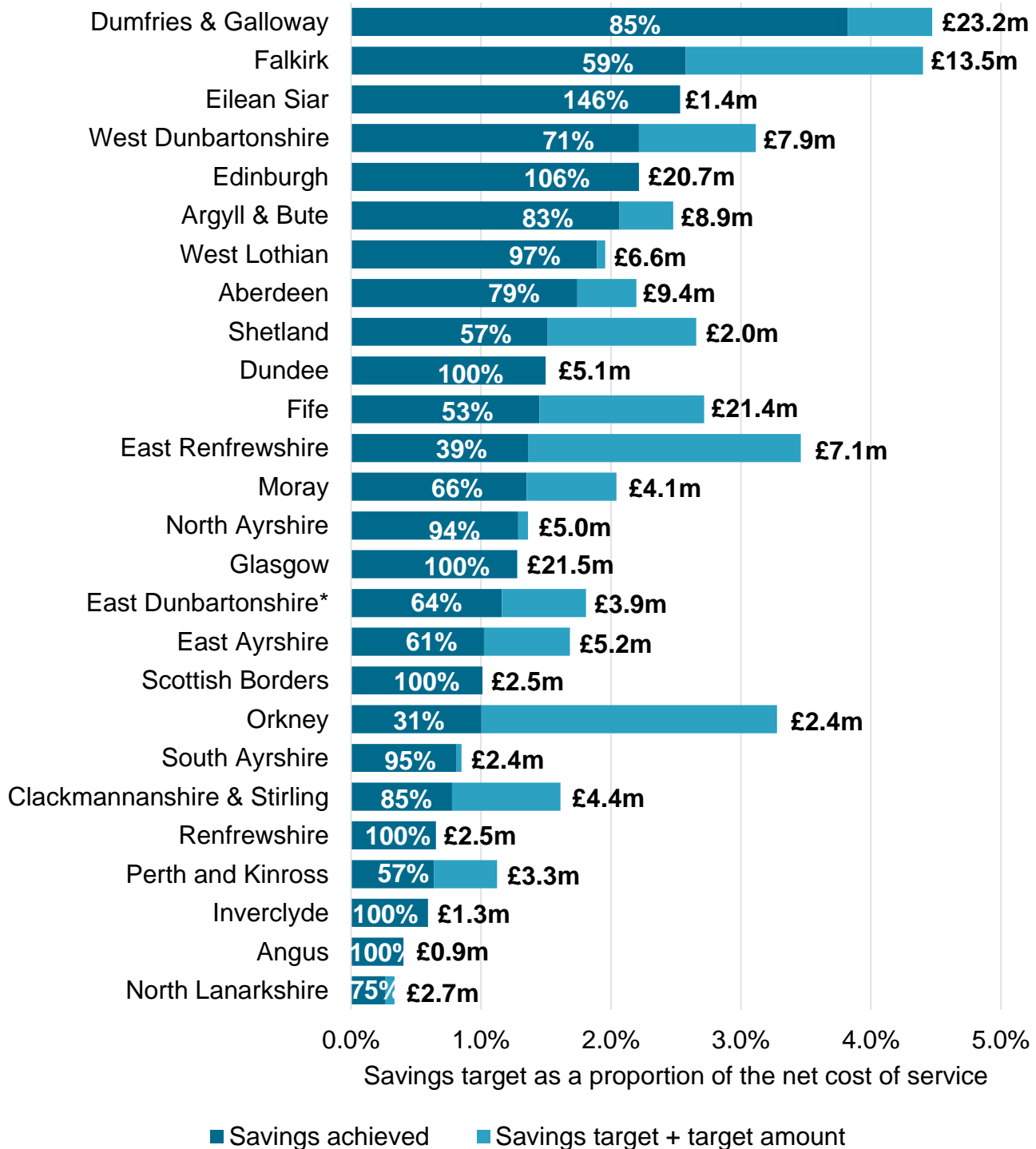
17. There was a 154 per cent increase in the savings target between 2022/23 and 2023/24, increasing to £214 million. Overall, IJBs achieved 79 per cent of their planned savings targets in 2023/24. This was down

from 84 per cent in 2022/23. Only seven IJBs achieved all of their savings target with three IJBs achieving less than half their target ([Exhibit 3, page 11](#)).

18. Fifty-seven per cent of savings were achieved on a recurring basis with the remaining 43 per cent being achieved on a non-recurring basis. The non-recurring savings will be carried forward to be found again in future years.

Exhibit 3**2023/24 Savings performance**

79 per cent of total planned savings were achieved in 2023/24, compared to 84 per cent in 2022/23.



Note: * In the absence of the 2023/24 East Dunbartonshire IJB accounts, the 2022/23 Net Cost of Service was used.

Source: 2023/24 Audited accounts, auditor returns

19. IJBs achieved 79 per cent of their planned savings target in 2023/24. Over two-fifths of this were achieved on a non-recurring basis. This means that these savings will be carried forward to be found again in future years. Identifying and achieving savings every year on a recurring basis, and moving away from relying on one-off savings, is essential for IJBs to maintain financial sustainability.

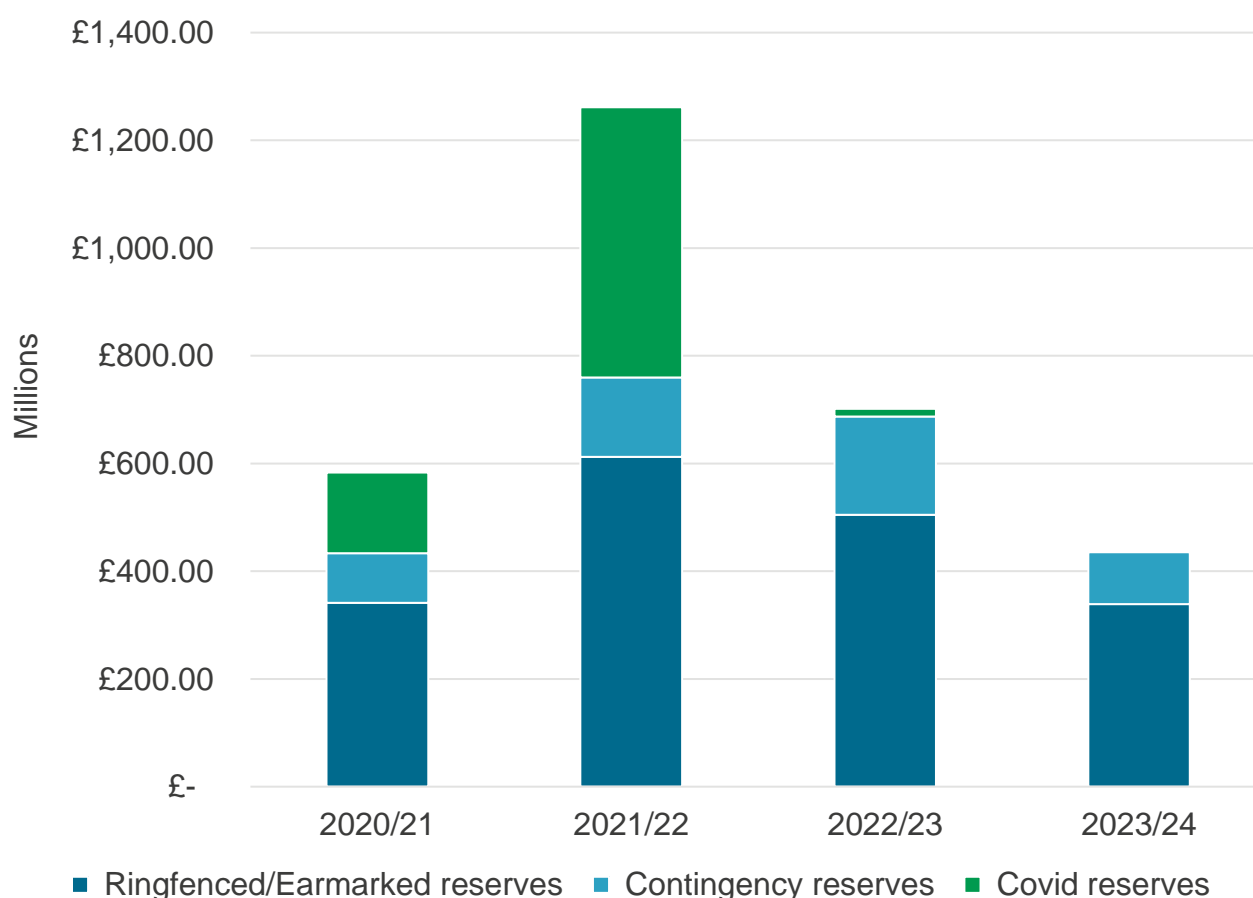
Total reserves held by IJBs have reduced by 40 per cent in 2023/24.

20. By the end of 2023/24, IJBs reported a reduction in their total level of reserves, decreasing by 36 per cent between 2022/23 and 2023/24 (40 per cent real-terms reduction). Part of the reduction relates to the use of ringfenced reserves to support Scottish Government national policy objectives ([Exhibit 4](#)).

Exhibit 4

Total reserves by year

Total reserves held by IJBs have reduced by 40 per cent in real terms in 2023/24.



Note: * 2023/24 position/movement excludes the East Dunbartonshire IJB position.

Source: Audited accounts

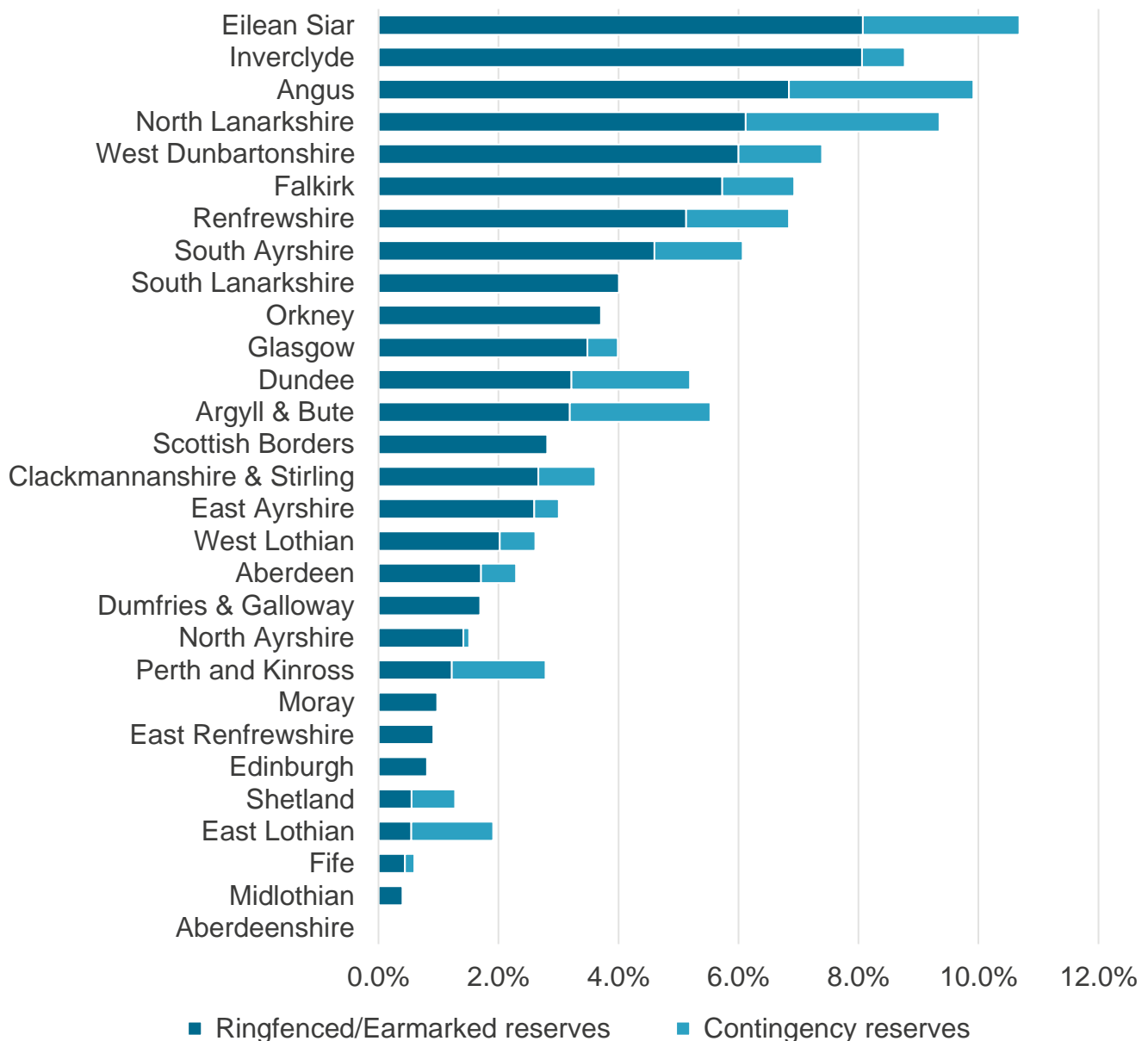
Contingency reserves have almost halved, limiting IJBs ability to address future deficits

21. Contingency reserves have almost halved (49 per cent real-terms reduction) and now represent 0.8 per cent of the total Net Cost of Services (down from 1.6 per cent). These are reserves that are held but have not been earmarked for a specific purpose and are often used to mitigate the financial impact of unforeseen circumstances ([Exhibit 5](#)).

Exhibit 5

2023/24 year end IJB reserves as a proportion of the net cost of services

Over half of all IJBs had contingency reserve levels of less than one per cent of net cost of services.



Source: Audited and unaudited accounts

22. One IJB (Aberdeenshire) utilised all their reserves in year, meaning that any future overspend position would require additional funding from partner bodies.

23. Four IJBs utilised all their contingency reserve in year, bringing the total number of IJBs without any contingency reserves, at the end of 2023/24, to nine.

Financial sustainability risks have been identified by auditors in the vast majority of IJBs

24. The majority of auditors raised financial sustainability risks as part of their annual audits of IJBs. The risks identified included the reliance on non-recurring sources of income, such as reserves and one-off savings, to meet overspends.

2023/24 Audit	
Financial management risks identified*	22%
Financial sustainability risks identified*	96%
Medium-term financial plan in place**	90%
Accounts presented within agreed timetable**	83%
Unmodified opinion*	100%
IJBs reporting turnover in senior officer roles (CO/CFO)**	57%
IJBs who agreed their 2024/25 budget prior to the start of the financial year**	87%

Note: * Based on 27 IJBs, where Annual Audit Reports were available. ** Based on all IJBs. Turnover figures include IJBs with interim Chief Officers (CO)/Chief Finance Officers (CFO) in place.

Source: Annual Audit Reports, IJB budget papers, Medium-term financial plans

25. Other financial sustainability risks highlighted by auditors included:

- Reserves level falling below minimum required as per their individual reserves policies. In one case, the general reserve has been depleted in full.
- Undeveloped/underdeveloped plans for the achievement of recurring savings to allow IJBs to reach a balanced financial position.

- Additional contributions being required from IJB partners to meet cost pressure.
- Inability to reduce reliance on agency and locum staff due to ongoing recruitment challenges.

26. Financial management risks identified included:

- Inaccurate information provided or not presented in line with regulations.
- Insufficient detail provided to allow the reader to fully assess the board's overall performance.
- Financial forecasting requiring more accuracy.
- Requirement to enhance the reporting to provide greater clarity regarding the underlying IJB budget and performance against the budget during the year.

Instability of leadership continues to be a challenge for IJBs

27. Over half of IJBs reported a change of Chief Officer or Chief Finance Officer in 2023/24. We previously reported that half of IJBs reported a change in senior leadership across 2021/22 and 2022/23.

28. The leadership and strategic vision of senior officers is crucial in the strategic planning and decision making required to drive much needed transformation change. Instability in leadership teams has the potential to disrupt strategic planning and the leadership capacity to bring about the fundamental change required to address the growing scale of challenges facing IJBs.

The projected financial position is set to worsen

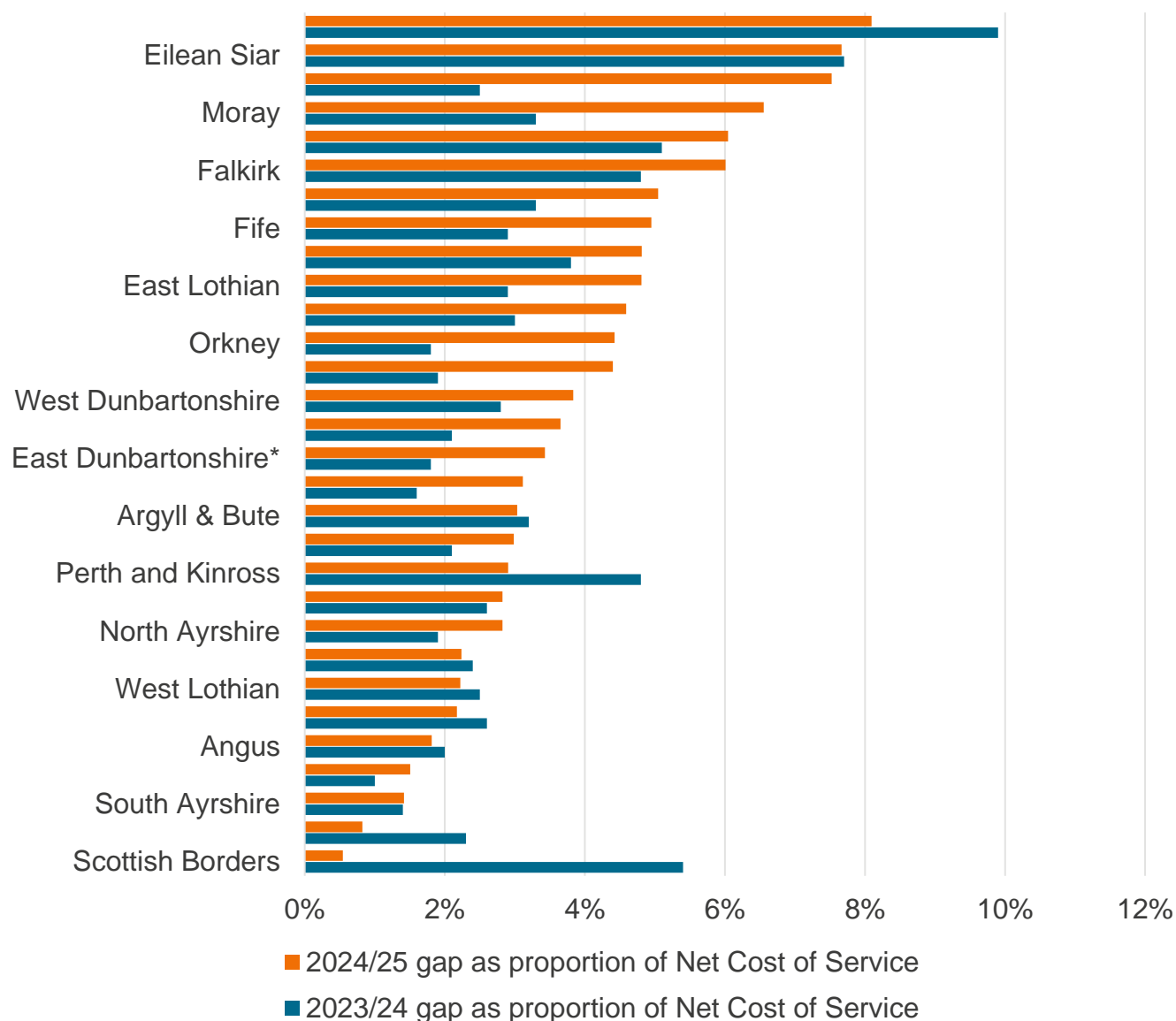
29. 2024/25 budget-setting revealed that the projected funding gap for IJBs has increased again to £457 million (£357 million for 2023/24) ([Exhibit 6, page 16](#)).

30. For 2024/25, 16 of the 30 IJBs agreed a balanced budget before the start of the financial year. Delays in the agreement of savings plans and NHS partner funding were the most common reasons for balanced budgets not being agreed at the start of the financial year.

Exhibit 6

IJB funding gaps as a proportion of 2023/24 net cost of services

IJB annual accounts and budget papers identify a 28 per cent increase in the overall projected funding gap between 2023/24 and 2024/25.



Note: * In the absence of the 2023/24 East Dunbartonshire IJB accounts, the 2022/23 Net Cost of Service was used.

Source: IJB budget papers, auditor returns

Reliance on non-recurring sources of income is not sustainable

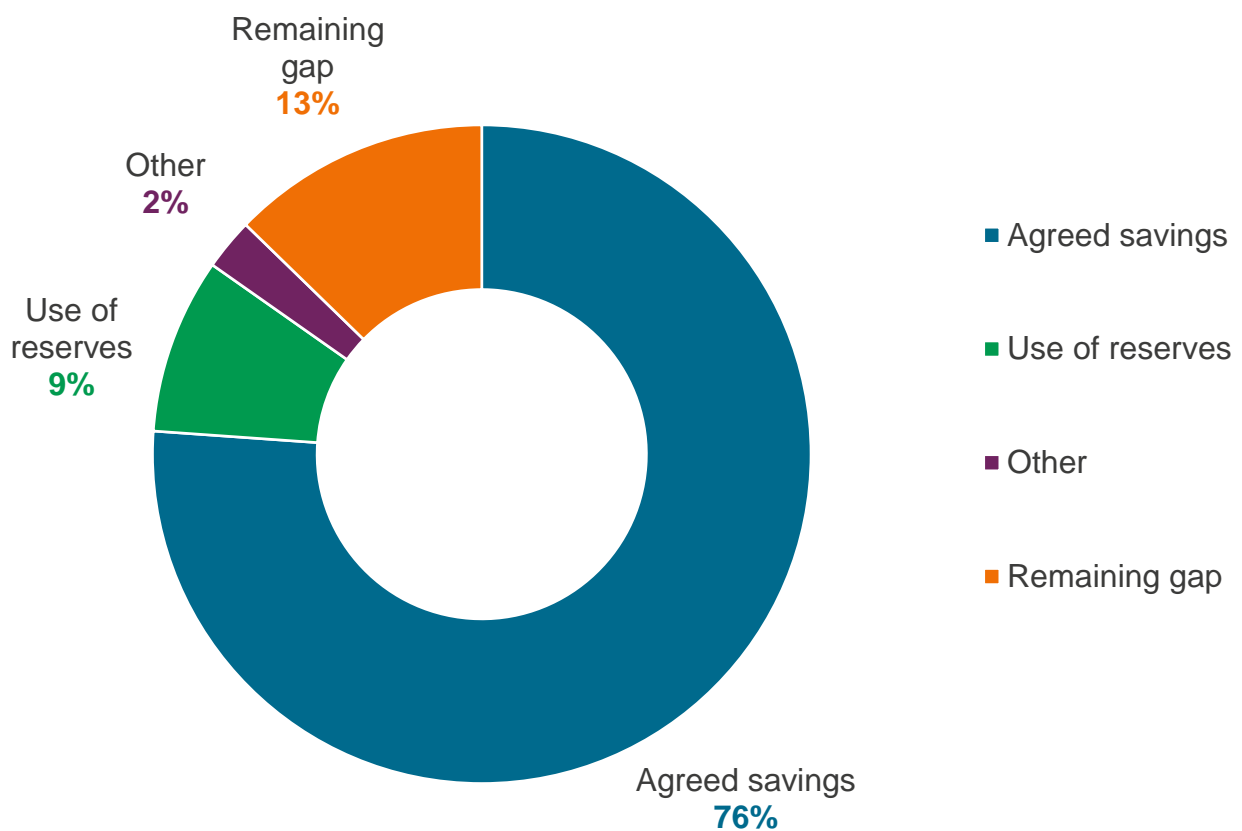
31. At the time of the 2024/25 budget-setting, nine per cent of the projected funding gap was planned to be bridged using non-recurring reserves ([Exhibit 7, page 17](#)).

32. A proportion of the funding gap did not have planned savings agreed against it at the time of budget-setting. These unidentified savings made up 13 per cent of the total projected funding gap and were the result of 12 IJBs starting the 2023/24 financial year with an unbalanced budget.

Exhibit 7

2024/25 IJB funding gap planned action

The use of non-recurring reserves makes up nine per cent of plans to bridge the funding gap.



Source: IJB budget papers, auditor returns

33. The proposed savings contain both recurring and non-recurring savings. The reliance on non-recurring sources of income to fund recurring budget pressures is unsustainable in the medium to long term. The identification and delivery of recurring savings and a reduced reliance on drawing from reserves to fund revenue expenditure will be key to ensuring long-term financial sustainability.

Integration Joint Boards

Finance bulletin 2023/24



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