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Wellington Square  
AYR KA7 1DR  
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18 June 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, 25 June 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 4 June 2025 (copy herewith).
4. Action Log and Work Programme (copy herewith).

### **Internal Audit Reports**

5. Annual Account 2024/25 (copy herewith).
6. Internal Audit Annual Report 2024/25 (copy herewith).

## **Other Governance Report**

7. Delivering Good Governance – 2024/25 Assessment (copy herewith).
8. Treasury Management Annual Report 2024/25 (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](mailto:committeeservices@south-ayrshire.gov.uk)  
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**AUDIT AND GOVERNANCE PANEL.**

Minutes of a hybrid webcast meeting on 4 June 2025 at 10.00 a.m.

Present in  
County Hall: Councillors Julie Dettbarn (Chair), Brian McGinley, Bob Pollock,  
Cameron Ramsay and George Weir.

Present  
Remotely: Councillor Mary Kilpatrick.

Apologies: Councillors Kenneth Bell and Alan Lamont.

Attending in  
County Hall: T. Baulk, Chief Financial Officer; K. Anderson, Assistant Director –  
Corporate Policy, Strategy and Performance; W. Carlaw, Service Lead -  
Democratic Governance; C. McGhee, Chief Internal Auditor; D. Urquhart,  
Senior Investigations Officer - Internal Audit and Corporate Fraud; J.  
Chapman, Committee Services Officer; and E. Moore, Clerical Assistant.

Attending  
Remotely: M. Newall, Chief Executive; C. Caves, Chief Governance Officer; L. Reid,  
Assistant Director – Transformation, T Simpson, Service Lead – Corporate  
Accounting.

**Opening Remarks.**

The Chair

- (1) welcomed everyone to the meeting;
- (2) outlined the procedures for conducting this meeting and advised that this meeting would be broadcast live; and
- (3) welcomed Councillor Pollock to his first meeting and thanked Councillor Cullen for his contribution to the Panel.

**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-ins from Cabinet.**

The Panel noted that there were no call-ins from Cabinet of 28 May 2025.

**3. Minutes of Previous Meeting.**

The Minutes of the meeting of 7 May 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.

The Panel

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

**5. Audit and Governance Panel – 2024/25 Annual Report**

There was submitted a joint report ([issued](#)) of 27 May 2025 by the Chief Financial Officer and Chief Governance Officer providing the Panel with the Audit and Governance Panel annual report for 2024/25.

A Member of the Panel enquired if it would be possible to have a comparison with East and North Ayrshire Councils in respect of member attendance at Scrutiny Panels. The Service Lead - Democratic Governance advised that it could be difficult to obtain a direct comparison but would endeavour to obtain the information.

A Member of the Panel gave their views on Panel attendance and suggested that an approach be taken to speak to Members who may be encountering difficulties in attending. The Chief Financial Officer advised that Members' attendance was already monitored but he would have a discussion with the Chief Executive about how attendance monitoring could be examined further.

A Member of the Panel enquired as to what level was seen as critical in respect of Panel attendance. The Chief Financial Officer advised that there was a quorum in place in respect of Council Standing Orders. He thereafter gave his view that attendance at 75 per cent and above allowed for a good discussion to take place, and that the Panel was more than meeting this. He advised that he was happy to take this forward as part of the annual self-assessment discussion.

A Member of the Panel asked for further background information in respect of 25% of Panel Members disagreeing with quality of Panel reports. The Chief Financial Officer advised that he did not have that information available at this present time but confirmed the information was available.

A Member of the Panel made general comments about the nature of reports across the year and commended officers' attitude and progress towards these reports.

A Member of the Panel stated that it was not a criticism when they requested more information with regards to the 25% of Members disagreeing with the quality of reports and that they were simply surprised by the high figure and stated that they did not have a problem with quality of the reports. The Chief Financial Officer advised that it would be worth investigating with the particular members the issues they had with regards to the quality of the reports.

A Member of the Panel gave their views on the report and re-iterated the need to review Panel member attendance.

The Panel

**Decided:**

- (1) to consider the Audit and Governance Panel annual report for 2024/25 (attached as [Appendix 1](#)); and
- (2) to remit the report to Council on 26 June 2025 for consideration.

**6. Best Value Action Plan – Progress Update**

There was submitted a report ([issued](#)) of 27 May 2025 by the Depute Chief Executive and Director of Education updating Members on the progress toward delivering the Council's Best Value Action Plan.

Having heard from a Panel Member and having heard the Assistant Director – Corporate Policy, Strategy and Performance, it was noted that the points raised would be reviewed for the next update.

Having heard from a Panel Member, the Assistant Director – Corporate Policy, Strategy and Performance and The Chief Executive it was confirmed that when improvements were ready to be delivered, they would be brought forward and implemented.

A Member of the Panel commented that it was encouraging to see everything progressing well and on track.

The Panel, having scrutinised the contents of the Best Value Action Plan update report;

**Decided:** to consider the progress through the narrative set out within Appendix 1.

**7. Corporate Fraud – Activity Report and 2023/2024 National Fraud Initiative Update**

There was submitted a report ([issued](#)) of 27 May 2025 by the Chief Internal Auditor advising Members of the Corporate Fraud Team's (CFT) activity for the year to 31 March 2025 and providing an update on the 2024/25 National Fraud Initiative (NFI) exercise to date.

A Member of the Panel requested clarification on the criteria that was used to determine what complaints were passed onto other Council services. The Senior Investigations Officer - Internal Audit and Corporate Fraud advised that his team would only get involved if it was an issue that directly affected an investigation and that the appropriate service area had the ability to deal with complaints regarding their own service.

A Member of the Panel gave his views in respect of the National Fraud Initiative 2024/25 and wondered whether a more strategic look at the processing of applications could take place in order for potential fraud to be dealt with as part of the approval process. The Senior Investigations Officer - Internal Audit and Corporate Fraud detailed the reasoning behind the data matches and provided examples.

A Member of the Panel asked for clarification about what was meant by total financial outcomes. The Senior Investigations Officer - Internal Audit and Corporate Fraud gave his view on this and the Chief Internal Officer advised that the financial outcomes represent amounts that were identified that were due to be recovered by the Council and had been rebilled to Council residents, they did not necessarily represent the

amounts actually recovered at the date of the report but the amount due to be recovered.

Having heard from a Panel Member and having heard from The Senior Investigations Officer - Internal Audit and Corporate Fraud, it was established that the small business bonus scheme would not need to be re-applied for and would continue for those eligible accordingly.

The Panel

**Decided:**

- (1) to consider the CFT activity for the year to 31 March 2025; and
- (2) to note the update on the 2024/25 NFI exercise.

**8. The Global Internal Audit Standards (GIAS) in the UK Public Sector**

There was submitted a report ([issued](#)) of 27 May 2025 by the Chief Internal Auditor advising of the requirements of the new Global Internal Audit Standard (GIAS), the Application Note: GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government.

A Member of the Panel asked if it would be beneficial to Members if a briefing was arranged to provide them with a better understanding of the new standards before the report to Panel in February 2026. The Chief Internal Auditor advised that she had been provided a checklist by the Institute of Internal Auditors which could be presented and explained to Members. The Chief Financial Officer added that the Panel would undertake a self-assessment process in September 2025, and these points could be addressed at that time.

A Member of the Panel enquired as to the reasoning for the new requirements. The Chief Internal Officer stated that it was part of a periodic update.

Having heard from a Member of the Panel and from the Chief Internal Auditor it was established that the target date for compliance was the start of the new financial year, April 2026.

The Panel

**Decided:** to note the new requirements of the Global Internal Audit Standards, the Application Note; GIAS in the UK Public Sector and the CIPFA Code of Practice for the Governance of Internal Audit in Local Government and that the results of the self-assessment against conformance with the new standards would be reported to this Panel in February 2026.

The meeting ended at 11:01 a.m.

## Audit and Governance Panel

Agenda Item No. 4.

### Action Log

No	Date of Meeting	Issue	Actions	Assigned/ Re-assigned to	Update	Completed
1	04/06/25	Audit and Governance Panel 2024/2025 Annual Report.	A request was made by a Member of the Panel for comparisons to be undertaken with East and North Ayrshire Council in respect of Members' attendance at their Chief Scrutiny Panel.	Service Lead, Democratic Governance.	Comparisons undertaken and information obtained.	<b>YES</b>

## Audit and Governance Panel

### Work Programme 2025

	<b>Issue</b>	<b>Actions</b>	<b>Assigned To</b>	<b>Due Date to Panel</b>	<b>Latest update</b>
1.	<b>Annual Accounts 2024/25</b>	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Report to this Panel
2.	<b>Delivering Good Governance – 2024/25 Assessment</b>	Report to Panel	Assistant Director, Corporate Policy, Strategy and Performance	25 June 2025 (Annually)	Report to this Panel
3.	<b>Internal Audit Annual Report 2024/25</b>	Report to Panel	Chief Internal Auditor	25 June 2025 (Annually)	Report to this Panel
4.	<b>Treasury Management Annual Report 2024/25</b>	Report to Panel	Chief Financial Officer	25 June 2025 (Annually)	Report to this Panel
5.	<b>Audit Scotland: Integration Joint Boards – Finance and Performance 2025</b>	Report to Panel	Chief Financial Officer	September 2025 (Annually)	Not yet started
6.	<b>Corporate Lets</b>	Report to Panel	Director of Communities and Transformation	September 2025 (Annually)	Not yet started
7.	<b>Internal Audit Annual Update Report – Integration Joint Board (IJB) Performance and Audit Committee (PAC)</b>	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started
8.	<b>Internal Audit – Progress Report Quarter 1</b>	Report to Panel	Chief Internal Auditor	September 2025 (Annually)	Not yet started

## Audit and Governance Panel

	<b>Issue</b>	<b>Actions</b>	<b>Assigned To</b>	<b>Due Date to Panel</b>	<b>Latest update</b>
9.	<b>Treasury Management and Investment Strategy Quarter 3 Update Report 2025/26</b>	Report to Panel	Chief Financial Officer	September 2025 (Quarterly)	Not yet started
10.	<b>External Audit Reports – Progress to 31 March 2025</b>	Report to Panel	Chief Financial Officer	September 2025 (Quarterly)	Not yet started
11.	<b>Strategic Risk Management</b>	Report to Panel	Chief Governance Officer	September 2025 (Biannually)	Not yet started
12.	<b>Best Value Action Plan – Progress Update</b>	Report to Panel	Depute Chief Executive and Director of Education	October 2025 (Quarterly)	Not yet started
13.	<b>South Ayrshire IJB External Annual Audit Report 2024-25</b>	Report to this Panel	Director of Health & Social Care	November 2025 (Annually)	Not yet started
14.	<b>Audit and Governance Panel – 2025 Annual Self-Assessment Outcome</b>	Report to Panel	Chief Financial Officer/ Chief Governance Officer	December 2024 (Annually)	Not yet started
15.	<b>Proposed Internal Audit Plan 2025/26 (including Annual Review of Internal Audit Charter)</b>	Report to Panel	Chief Internal Auditor	March 2026 (Annually)	Not yet started
16.	<b>Annual Audit Plan 2024/25</b>	Report to Panel	Chief Financial Officer	March 2026 (Annually)	Not yet started
17.	<b>Audit and Governance Panel – 2024/25 Annual Report</b>	Report to Panel	Chief Financial Officer/ Chief Governance Officer	4 June 2025 (Annually)	Not yet started

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 25 June 2025**

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**Subject: Annual Accounts 2024/25**

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**1. Purpose**

- 1.1 The purpose of this report is to present the unaudited Annual Accounts for the year ended 31 March 2025 ('the unaudited Accounts').

**2. Recommendation**

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

- 2.1.1 approves the accounting policies (contained in Appendix 1 (to follow)) used in preparing the 2024/25 Annual Accounts;**
- 2.1.2 considers the unaudited Annual Accounts (Appendix 1 (to follow)), noting that all figures remain subject to audit;**
- 2.1.3 considers the unaudited Charitable Trust Accounts (Appendix 2 (to follow)), noting that all figures remain subject to audit; and**
- 2.1.4 requests the Chief Financial Officer to report back to the Panel following completion of the audit.**

**3. Background**

- 3.1 Each year, the Chartered Institute of Public Finance and Accountancy (CIPFA) issues new accounting guidance called the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). All local authorities use the Code in preparing their annual accounts.
- 3.2 Where appropriate, the accounting policies have been revised in line with changes required by 2024/25 Code.
- 3.3 The unaudited Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and were submitted to the Council's external auditors, Audit Scotland, before the statutory deadline of 30 June 2025.
- 3.4 A full and separate audit is also required for each registered charity where Members of South Ayrshire Council are sole trustees..

3.5 Notice has been given under Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985 to allow public inspection of the unaudited Accounts.

3.6 The Chief Internal Auditor's statement on the adequacy and effectiveness of the internal control system of the Council for the year ended 31 March 2025 is being provided to the members of the Audit and Governance Panel as a separate item on this agenda.

3.7 Members should note that the unaudited Accounts are currently subject to audit.

#### **4. Proposals**

4.1 A copy of the unaudited Accounts is attached to this report for information and consideration (please refer to Appendix 1 (to follow)).

4.2 Copies of the unaudited Charitable Trust Accounts are attached to this report for information and consideration (please refer to Appendix 2 (to follow)).

4.3 The audit of the Accounts will commence in July and will conclude with an Annual Audit report and Report to those Charged with Governance being presented to the Audit and Governance Panel in September 2025. The report will provide the independent auditor's report to Members of the Council, and will allow the auditor to communicate the matters raised during the audit to the Panel.

#### **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 arising from this report.

#### **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 There are no risks associated with rejecting the recommendations.

#### **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/**

**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 As indicated at paragraph 3.3 above, the unaudited Accounts will be available for public inspection during the audit process.

14.2 Consultation has taken place with Councillor Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, due to tight timescales to produce the report.

**Background Papers** None

**Person to Contact** Tim Baulk, Chief Financial Officer  
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E-mail [tim.baulk@south-ayrshire.gov.uk](mailto:tim.baulk@south-ayrshire.gov.uk)

**Date:** 17 June 2025

**South Ayrshire Council**

**Report by Chief Internal Auditor  
to Audit and Governance Panel  
of 25 June 2025**

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**Subject: Internal Audit Annual Report 2024/25**

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**1. Purpose**

- 1.1 The purpose of this report is to present to the Audit and Governance Panel the annual report on the internal audit activity during 2024/25, and to provide an independent opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems for the year ended 31 March 2025.

**2. Recommendation**

- 2.1 **It is recommended that the Panel notes the contents of the report.**

**3. Background**

- 3.1 South Ayrshire Council's internal audit service is delivered within the context of the Internal Audit Standards. The relevant standards in place in 2024/25 were the Public Sector Internal Audit Standards (PSIAS) (revised 1 April 2017), compliance with which is mandatory under Section 95 of the Local Government (Scotland Act) 1973.
- 3.2 PSIAS requires the Chief Internal Auditor to prepare an annual report on the activities of Internal Audit and includes a view on the adequacy of the Council's governance, risk management and internal control frameworks.

**4. Proposals**

- 4.1 The Panel is asked to note the contents of annual report for financial year 2024/25, together with the statement on internal controls included at [Appendix 1](#).
- 4.2 The revised Internal Audit Plan for 2024/25 (approved by Panel on 6 November 2024) has been substantially completed, one assignment has not yet started (HSCP - Appointeeship) and testing is currently being concluded on three assignments (Transport System Review, Climate Change and System Access Controls) and one assignment (Follow Up – Procurement Framework Agreements) is being completed as part of an ongoing investigation. Final audit reports have been issued for 14 assignments with seven draft reports at clearance stage. Their individual internal control assessments can therefore be included in the overall annual audit opinion.

## **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 Audit reports include, in the action plan, a separate risk assessment detailing the risk of not implementing each of the Internal Audit recommendations. A recommendation to consider whether the Directorate risk register requires to be updated to reflect issues raised within the report is also included in each audit report. In addition, quarterly meetings take place between Risk and Safety and Internal Audit to ensure new emerging risks are included in Council Risk Registers and the Annual Internal Audit Plan where required.

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

8.2.1 There are no risks associated with adopting the recommendations.

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

8.3.1 Failure to comply with the Public Sector Internal Audit Standards (PSIAS) and meet our obligation to provide an annual internal audit opinion.

## **9. Integrated Impact Assessment (incorporating Equalities)**

9.1 The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an integrated impact assessment is not required.

## **10. Sustainable Development Implications**

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

## **11. Options Appraisal**

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

**12/**

**12. Link to Council Plan**

12.1 Internal Audit supports the delivery of Council priorities. Therefor the matters referred to in this report contribute to the three priorities in the Council Plan; Spaces and Places; Live, Work, Learn and, Civic and Community Pride.

**13. 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 paper.

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**

**Report to Audit and Governance Panel of 6 November 2024**  
– [Internal Audit Plan 2024/25 – Midyear Review](#)

[Public Sector Internal Audit Standards \(April 2017\)](#)

[Internal Audit Charter 2024](#)

**Person to Contact**

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**Phone 01292 612432**  
**E-mail [Cecilia.McGhee2@south-ayrshire.gov.uk](mailto:Cecilia.McGhee2@south-ayrshire.gov.uk)**

**Date: 13 June 2025**

## Internal Audit Annual Report 2024/25

### 1. Introduction

- 1.2 The purpose of this report is to provide an overview of the Internal Audit activity for 2024/25 and to provide an independent opinion on the adequacy and effectiveness of South Ayrshire Council's governance, risk management and internal control systems for the year ended 31 March 2025.

### 2. Background

- 2.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- 2.2 The Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (updated 1 April 2017), apply to all internal audit service providers within the public sector and set out the requirements in respect of professional standards for these services. Professional Standard 2450, Overall Opinions, states that "the chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement". In South Ayrshire Council, the "chief audit executive" is the Chief Internal Auditor.
- 2.3 The PSIAS states that the annual report prepared by the chief audit executive must incorporate:
- the annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (*paragraph 10.2*);
  - a summary of the information that supports that opinion (*paragraphs 5.4-5.10 and 6.3*);
  - a disclosure of any impairments to scope and / or independence (*paragraph 11.1*);
  - a statement of conformance with the PSIAS (*paragraph 3.1*); and
  - the results of the quality assurance and improvement programme (relating to any EQAs and PSIAS self-assessments) and progress against any improvement plans (*paragraph 3.3*).
- 2.4 This Internal Audit Annual Report has been prepared on the basis of the requirements outlined above.

### 3. Compliance with PSIAS

- 3.1 During 2024/25 the Internal Audit Section operated in compliance with PSIAS.
- 3.2 PSIAS requires that a Quality Assurance and Improvement Programme (QAIP) is developed to provide assurance that internal activity is conducted in accordance with an Internal Audit Charter, that it operates in an efficient and effective manner and that it is perceived to be adding value and improving operations.
- 3.3 The Quality Assurance and Improvement Programme (QAIP) covers all aspects of Audit Services and includes both periodic internal self-assessments and five-yearly External Quality Assessments (EQA). Since the PSIAS came into effect in April 2013,

annual self-assessments have been performed by the Chief Internal Auditor. The latest EQA has been completed and was reported to the Council’s Audit and Governance Panel on 29 May 2024. The results of the EQA were broadly in line with the 2024/25 self assessment. The overall conclusion was that Internal Audit fully conforms with 10 areas and generally conforms with 4 areas. There were no areas assessed as partially or not conforming. An action plan containing seven improvement actions in relation to low priority areas was prepared and fully implemented by the due date of 31 March 2025.

3.4 New Global Internal Audit Standards (GIAS) which became effective from January 2025 have been developed and the existing PSIAS updated to reflect the new standards within a UK public sector context. The new standards will be referred to as the GIAS in the UK Public Sector and all future QAIPs will assess compliance with the new standards.

#### 4. Position and Resourcing of Internal Audit

4.1. Internal Audit is an independent review activity free from undue influence or other pressures affecting its independence and to that end Internal Audit and Corporate Fraud is situated within the Chief Executive’s department and has a direct reporting line to the Chief Executive and to the Council’s Audit and Governance Panel in its role as the Council’s audit committee.

4.2. During 2024/25 Internal Audit operated within the Internal Audit Charter approved by the Audit and Governance Panel on 20 March 2024.

4.3. There are four professionally qualified posts (3.6 FTE) in Internal Audit establishment, one Chief Internal Auditor, one Senior Auditor and 1.6 Auditors. Corporate Fraud includes a further two posts (2 FTE) one Senior Investigations Officer and one Investigations Officer). The Senior Investigations Officer holds the Accredited Counter Fraud Specialist qualification.

4.4. One auditor post became vacant in March 2025. Steps were immediately taken to fill this vacancy and recruitment is ongoing.

#### 5. Internal Audit Activity 2024/25

5.1. Internal Audit activity during the year was undertaken in accordance with the revised internal audit plan. Progress reports have been provided to the Audit and Governance Panel quarterly throughout the year. Assignments included within the revised plan, approved by the Audit and Governance Panel in November 2024, have been substantially completed. Sufficient work has been carried out to enable an annual audit opinion on the adequacy of internal controls to be produced.

5.2. The revised 2024/25 internal audit plan included an estimated 613 direct audit days. The actual number of days achieved was 638 days. An analysis of audit days by type of audit as at 31 March 2025 is summarised in the following table:

Type of Audit	Planned Days (Revised) 2024/25	Actual Days 2024/25	Variance in days
Key corporate systems	45	99	54
Governance and Best Value	70	48	-22
ICT Auditing	15	8	-7

Type of Audit	Planned Days (Revised) 2024/25	Actual Days 2024/25	Variance in days
Directorates and other systems	140	147	7
Regularity	80	55	-25
Follow Up Reviews	32	25	-7
Other Entities	50	50	0
Other Commitments	181	206	25
<b>TOTAL</b>	<b>613</b>	<b>638</b>	<b>25</b>

- 5.3. The overall variance of 25 additional days is as a result the Chief Internal Auditor being involved in more operational audits than had been originally planned. This was due to the need to provide training and support throughout the audit process to staff. The variance recorded under “other” mainly relates to additional time being required for management review and development.
- 5.4. A total of 19 internal audit deliverable assignments (including three contingency assignments and two investigations) from the 2024/25 Internal Audit Plan have been concluded for South Ayrshire Council. Final Internal audit reports were issued for 14 assignments. There are an additional seven audit assignments from the revised plan which have been completed and draft reports issued, however they are not yet cleared and finalised with the service (see summary at [Annex A](#)). As the fieldwork is complete, their conclusions can still be included in the overall opinion for 2024/25.
- 5.5. A diverse range of areas throughout the Council have been reviewed during the year including; Fusion controls within Procurement, HR and Payroll and Main Accounting, the Ayrshire Growth Deal, the use of consultancy services, CM2000, Pupil Equity Fund, Climate Change, PVG Checks, Scottish Housing Regulators annual assurance statement and performance information, malicious damage invoice process, Council Tax refund process and Taxi and Private hire vehicle licence checks. In addition, three follow up assignments were completed, two grant claims were certified and, internal control self-assessment toolkits were completed by Social Work locations and schools.
- 5.6. East Ayrshire Council’s Internal Audit section delivers the annual audit plan for the Ayrshire Road Alliance (ARA). The findings from their work are shared with South Ayrshire Council. There was one ARA assignment, review of Inventory Controls, completed in the year ending 31 March 2025. This assignment concluded with “sound assurance in most areas” with no improvement actions raised.
- 5.7. Of the total 14 South Ayrshire Council final internal audit reports issued for 2024/25, seven resulted in substantial assurance, five in reasonable assurance and two in limited. A further seven audit reports are in draft with their fieldwork completed, all seven reports resulted in reasonable assurance. Copies of final Internal Audit reports are shared with all Members via SharePoint.
- 5.8. A total of 34 improvement actions were raised within the 14 final internal audit reports issued for 2024/25. Four actions were not accepted, and management have accepted the risk in these areas. Management responses in relation to the actions raised in the draft Internal Audit reports are currently being agreed. Of the 30 actions accepted by management, three were implemented by their due date, five were

completed ahead of their due date, three were implemented after the due date and the remaining 19 were not due as at 31 March 2025.

5.9. There were 74 actions raised in audit reports issued prior to 1 April 2024 which were due in the year to 31 March 2025. Of these actions, nine were implemented by the due date, 26 were completed ahead of the due date, 31 were late and eight were outstanding as at 31 March 2025.

5.10. In addition to the deliverable assignments for South Ayrshire Council, a further four assignments were delivered for other entities, one assignment was completed for the South Ayrshire Integration Joint Board (SA IJB), two were completed for the Ayrshire Valuation Joint Board (AVJB) and one assignment was delivered for the East Renfrewshire Trust Fund as part of the reciprocal arrangement between South Ayrshire, North Ayrshire and East Renfrewshire Councils.

## 6. Performance Indicators 2024/25

6.1 As agreed as part of the EQA Action Plan (action 1), performance indicators in relation to the delivery of the overall Internal Audit Service have been developed and included in all quarterly progress reports to this Panel from 1 April 2024. The Performance included in the table below relates to delivery of the SAC Internal Audit Plan, performance in relation to delivery of the IJB and AVJB plans is included within their annual audit reports. Performance of members of the team and identification of training needs will continue to be monitored by the Chief Internal Auditor.

Measure	Description	Target	Actual
1. Working Draft Report	Percentage of working draft reports issued within 3 weeks of completion of fieldwork.	100%	100% (21/21)
2. Final Report	Percentage of final reports issued within 2 weeks of agreeing draft report.	100%	100% (14/14)
3. Audit Plan Delivery	2024/25 Audit Plan completed to draft by 30 April 2025 <i>(2024/25 Audit Plan Completed to draft by date of annual report)</i>	90%	56%  (84%)
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	57% (8 of 14 completed assignments)
	Direct Audit Days delivered	85%	86%
5. Audit Recommendations	Internal Audit recommendations agreed (measured from 1 April 2024)	90%	88% (30/34)

7. Client Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100% (6/6)
8. Delivery of Annual Report	Annual opinion /report presented to AGP	By 30 June annually	Target Met Reported 25 June 2025
9. Audit Plan	AGP Approval of audit charter and annual plan	By 31 March annually	Target Met Approved 26 March 2025

6.2 The revised internal audit plan for 2024/25, approved by the Audit and Governance Panel on 6 November 2024, includes 25 deliverable assignments for South Ayrshire Council. There is also an allocation of time for Internal Audit to deliver audit plans for the IJB and the AVJB and to audit the Ayrshire Rural and Island Fund (ARIA) 2024/25 Grant Claim. A summary of the status of 2024/25 plan for SAC deliverable assignments is included in the table below:

Status	No. of Deliverables	Percentage
Complete/Draft report issued	21	84%
Work in progress	3	12%
Not started	1	4%
<b>Total</b>	<b>25</b>	<b>100%</b>

6.3 In addition to planned Internal Audit assignments, allocations of time are included within the plan for ad-hoc requests for advice and guidance, contingency assignments and investigations. There were five requests for advice and guidance in the period to 31 March 2025. The requests were in relation to changes to the operation of imprest accounts resulting from bank branch closures, Hardship Fund procedures, procurement, the Ambition Fund and bank reconciliations. There were five contingency assignments completed in the year, a Community Council appeal, the Independent Examination of East Renfrewshire Council Trusts 2023-24 Accounts, a review of the Council Tax Refund procedures and a review of taxi and private hire vehicle licence checks. A review of ward capital projects was started in 2024/25 and will be concluded as part of the 2025-26 Internal Audit Plan approved on 26 March 2025.

6.4 As a result of a fraudulent change to SAC grant recipient bank details by an external party, Internal Audit worked in conjunction with Thriving Communities, Procurement and Finance to strengthen procedures in relation to managing the payment of Thriving Communities grants. New procedures for One Time Payments to third parties have been developed and are available to all relevant staff and Finance staff worked with the bank to secure repayment of the fraudulent payment. Internal Audit also completed a review of changes made to the Scheme of Establishment of Community Councils. Two further investigations relating to award of contracts and

to the use of a Framework agreement were started in the year to 31 March 2025. These investigations are currently ongoing.

## **7. Counter Fraud Work**

- 7.1. The Corporate Fraud Team (CFT) report to the Chief Internal Auditor and has responsibility for investigating any alleged fraud or irregularity which has been highlighted to them. They also undertake pro-active work in identifying circumstances of fraud perpetrated against the Council (either from outwith the Council or from within). Assistance will be provided by Internal Audit in cases where a lack of internal controls has contributed to a fraud taking place however there were no such cases in 2024/25.
- 7.2. There were 226 investigations completed by the CFT in 2024/25 which resulted in total financial savings of approximately £58,000. In addition, a proactive exercise of Small Business Bonus Scheme reliefs and conclusion of 2022/23 National fraud Initiative investigations were completed by the CFT in 2024/25. These exercises resulted in further financial savings of approximately £55,000.
- 7.3. Separate Corporate Fraud Team activity reports are provided to the Audit and Governance Panel for scrutiny on a six-monthly basis.

## **8. Other Responsibilities**

- 8.1. The Chief Internal Auditor of the Council is also the Chief Internal Auditor for the South Ayrshire Integration Joint Board (IJB) and the Ayrshire Valuation Joint Board (AVJB). In the interests of information sharing, the results of the IJB audit work is shared with Members of the Council.

## **9. Internal Audit and Corporate Fraud Development**

- 9.1. The training needs of the service continue to be reviewed on an ongoing basis, and where gaps are identified, action is taken to address these. Networking opportunities are continually explored, with the Chief Internal Auditor attending the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and the Senior Auditor attending the Computer Audit Sub-Group of SLACIAG (CASG) and the Data Analytics user groups and the Senior Investigation Officer attending the Scottish Local Authorities Investigators Group (SLAIG). These meetings are a valuable source of training and sharing of information with counterparts across Scotland.
- 9.2. Pan-Ayrshire meetings are held with the other Chief Auditors for North and East Ayrshire Council.
- 9.3. Other opportunities for training and development are explored as and when they arise.

## **10. Audit Opinion**

- 10.1. There are currently two ongoing investigations in relation to the appointment of contractors and the use of Framework Agreements. The findings of these investigations have not identified any significant control weaknesses to date. Therefore, based on the work concluded by the Internal Audit service overall, the audit findings for the year ended 31 March 2025 conclude that, while some weaknesses were identified and certain elements of control were only partially in

place, when taken with other findings they did not significantly impair the overall systems of internal control in the areas reviewed.

- 10.2. The Internal Audit Opinion is that overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2025.
- 10.3. There is a formal requirement for the Chief Internal Auditor to prepare an annual assurance statement on the adequacy of internal control systems within the Council.
- 10.4. The internal audit annual statement on the adequacy of internal controls for 2024/25 is included in [Annex B](#).

## **11. Conclusion**

- 11.1. The 2024/25 internal audit plan was satisfactorily completed to deliver an annual opinion. There are no limitations of scope to the issued audit opinion.

## Internal Audit Reports Issued/Drafted 2024/25 For South Ayrshire Council

Report Ref	Description	Assurance	Actions Arising				Total Accepted
			High	Medium	Low	Total Raised	
2025-01	Main Accounting Fusion Controls#	Reasonable	0	3	8	11	TBA
2025-02	HR & Payroll Fusion Controls	Reasonable	1	8	2	11	8
2025-03	Procurement Fusion Controls#	Reasonable	0	5	2	7	TBA
2025-05	Ayrshire Growth Deal#	Reasonable	2	1	2	5	TBA
2025-06	Use of Consultancy Services	Reasonable	0	2	0	2	2
2025-10	CM 2000 System#	Reasonable	0	1	2	3	TBA
2025-11	Pupil Equity Fund	Substantial	0	0	0	0	N/A
2025-13	PVG Checks	Limited	2	0	0	2	2
2025-15	Annual Return on Housing Charter	Substantial	0	0	1	1	1
2025-16	Scottish Housing Regulators Annual Assurance Statement	Substantial	0	0	0	0	N/A
2025-17	Malicious Damage Invoices	Limited	5	1	0	6	6
2025-18	Continuous Auditing	Substantial	0	0	0	0	N/A
2025-21	Social Care - Self Assessment Toolkit	Substantial	0	0	1	1	1
2025-22	Educations – Self Assessment Toolkit#	Reasonable	0	3	7	10	TBA

Report Ref	Description	Assurance	Actions Arising				Total Accepted
			High	Medium	Low	Total Raised	
2025-23	Property Maintenance Stores	Reasonable	0	3	0	3	3
2025-24	Waste Management (Follow Up) #	78% Sufficiently Implemented					
2025-25	Social Media (Follow Up)	92% Sufficiently Implemented					
2025-26	Systems Access Controls (Follow Up) #	60% Sufficiently Implemented					
2025-28	Cash Collection Arrangements Leisure Facilities (Follow Up)	100% Sufficient Implemented					
2025-35-04	Council Tax Refunds	Reasonable	1	2	1	4	3
2025-35-05	Taxi and Private Hire Vehicle Check	Reasonable	0	1	3	4	4
EAC	Inventory Controls	Sound Assurance in most areas	0	0	0	0	0

*#Assignments are complete and draft reports issued, the number of actions and risk rating may be subject to change following clearance with Services, but the assurance level is unlikely to reduce.*

## **Internal Audit Annual Statement on the Adequacy of Internal Controls**

### **To the Members and Chief Executive of South Ayrshire Council**

As Chief Internal Auditor for South Ayrshire Council, I am pleased to present my annual statement on the overall adequacy and effectiveness of the framework of governance, risk management and control of the Council for the year ended 31 March 2025.

### **Respective responsibilities of management and internal auditors in relation to governance, risk management and control**

It is the responsibility of the Council's senior management to determine, establish and maintain sound systems of governance, risk management and control to ensure that the organisation's resources are properly applied in a manner and on the activities intended and that these arrangements are sufficient to address the risks facing their services. This includes responsibility for the prevention and detection of fraud. Management is also charged with monitoring the continuing effectiveness of these arrangements and taking action as appropriate. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Sound internal controls**

The main objectives of the Council's internal control systems are to:

- ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- safeguard assets;
- ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- ensure compliance with statutory requirements.

Any system of control is designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations.

### **The work of internal audit**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In 2024/25, the Internal Audit section operated in accordance with United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into force with effect from 1 April 2013 (and updated in March 2017). The requirements under PSIAS represent best practice and are mandatory.

The Chief Internal Auditor prepares an annual internal audit plan which outlines the programme of work to be undertaken. The plan is developed utilising a risk-based methodology and considers the requirement placed upon the Chief Internal Auditor to deliver an annual internal audit opinion. The plan needs to be flexible to reflect the changing risks

and priorities of the organisation. The plan, and any material changes to the plan during the year, are approved by the Audit and Governance Panel.

All internal audit reports are brought to the attention of management, including system weaknesses and/or non-compliance with expected controls, together with agreed action plans. It is management's responsibility to ensure that due consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. This includes management taking remedial action where appropriate or accepting that there may be a level of risk exposure if the weaknesses identified are not addressed for operational reasons. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Matters arising from internal audit work are reported to all Members, the Chief Executive, the Chief Financial Officer (as Section 95 Officer), the Chief Governance Officer (as Monitoring Officer) and external audit.

### **Summary of Internal Audit Activity 2024/25**

A total 14 South Ayrshire Council final internal audit reports were issued for the year ended 31 March 2025. Seven audit opinions resulted in substantial assurance, five in reasonable assurance and two in limited. A further seven audit reports are in draft with their fieldwork completed, all seven reports resulted in reasonable assurance.

A diverse range of areas throughout the have been reviewed during the year including; Fusion controls within Procurement, HR and Payroll and Main Accounting, the Ayrshire Growth Deal, the use of consultancy services, CM2000, Pupil Equity Fund, Climate Change, PVG Checks, Scottish Housing Regulators annual assurance statement and performance information, malicious damage invoice process, Council Tax refund process and Taxi and Private hire vehicle licence checks. In addition, three follow up assignments were completed, two grant claims were certified and, internal control self-assessment toolkits were completed by Social Work locations and schools.

Many expected key controls were in place and operating effectively, however Internal Audit has also identified scope for improvement in some systems. A total of 34 improvement actions were raised within the 14 final internal audit reports issued for 2024/25. Four actions were not accepted, and Management has accepted the risk in these areas. Management responses in relation to the actions raised in the draft Internal Audit reports are currently being agreed. Of the 30 actions accepted by management, three were implemented by their due date, five were completed ahead of their due date, three were implemented after the due date and the remaining 19 were not due as at 31 March 2025. There were 74 actions raised in audit reports issued prior to 1 April 2024 which were due in the year ended 31 March 2025. Of these actions nine were implemented by the due date, 26 were completed ahead of the due date, 31 were late and eight were outstanding as at 31 March 2025.

There are currently two investigations in relation to the appointment of contractors and the use of Framework Agreements ongoing. The findings of these investigations to date have not identified any significant control weaknesses which would impact on the overall annual audit opinion for the Council.

### **Basis of Opinion**

The evaluation of the control environment is informed by a number of sources:

- the audit work undertaken by Internal Audit for the year to 31 March 2025 (including the audit work carried out by East Ayrshire Council for the Ayrshire Roads Alliance);

- the audit work undertaken by Internal Audit in previous years and knowledge of any significant audit findings after the year end;
- the assessment of risk completed during the preparation of the annual audit plan;
- assessment of the general control environment within individual departments as completed by each Head of Service and Director;
- reports issued by the Council's external auditors and other review and inspection agencies;
- knowledge of the Council's governance, risk management and performance monitoring arrangements; and
- any other items brought to the attention of internal audit by whatever means which may warrant further investigation.

## **Opinion**

On the above basis it is my opinion that, overall, reasonable assurance can be placed on the adequacy and effectiveness of the Council's framework of governance, risk management and control arrangements for the year ending 31 March 2025.

**Cecilia McGhee**  
**Chief Internal Auditor**  
**South Ayrshire Council**  
**22 May 2025**

**South Ayrshire Council**

**Report by Depute Chief Executive and Director of Education  
to Audit and Governance Panel  
of 25 June 2025**

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**Subject: Delivering Good Governance – 2024/2025 Assessment**

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**1. Purpose**

1.1 The purpose of this report is to invite Members to review the 2024/2025 year-end assessment against the Council's Delivering Good Governance Framework.

**2. Recommendation**

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

**2.1.1 reviews and agrees the 2024/25 year-end assessment as set out in Appendix 1 of this report;**

**2.1.2 notes progress against the 2024/2025 Improvement Actions; and**

**2.1.3 notes the new set of Improvement Actions agreed by Corporate Leadership Team for the period 2025/2026.**

**3. Background**

3.1 South Ayrshire Council is committed to the highest standards of governance in the way that it is organised, managed and operates. To help achieve and maintain such standards, it has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) 2016 Delivering Good Governance (DGG) in Local Government Framework. The Framework sets out the main agreements and procedures that the Council has in place in relation to the seven 'principles' of governance as set out below:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
4. Determining the actions necessary to optimise the achievement of the intended outcomes;
5. Developing the Council's capacity, including the capability of its leadership and the individuals within it;

6. Managing risks and performance through robust internal control and strong public financial management; and
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.2 Since the 2023/2024 year-end assessment was reviewed and agreed by Audit and Governance Panel members on 26 June 2024, work has progressed to address the 2024/2025 associated improvement actions.

#### 4. Proposals

4.1 This report provides updates on Delivering Good Governance as follows:

4.1.1 **2024/2025 Year-End Assessment** on the effectiveness of the framework (attached as Appendix 1). This reflects any developments of the framework that occurred between April 2024, and the year-end sign off as at 31 March 2025. It also includes an assessment of the effectiveness for each of the 21 sub-principles by the lead officers identified for the aspects they have responsibility for/knowledge of on the following three-point scale:

Delivering Good Governance 2024-25 Year End Assessment - Summary	
Behaving with integrity	
Demonstrating strong commitment to ethical values	
Respecting the rule of law	
Openness	
Engaging comprehensively with institutional stakeholders (other organisations)	
Engaging with individual citizens and service users effectively	
Defining outcomes	
Sustainable economic, social and environmental benefits	
Determining actions	
Planning actions	
Optimising achievement of intended outcomes	
Developing the capability of the Council's leadership and other individuals	
Developing the capability of the Council's leadership	
Managing risk	
Managing performance	
Robust internal control	
Managing data	
Strong public financial management	
Implementing good practice in transparency	
Implementing good practices in reporting	
Assurance and effective accountability	

- 4.1.2 **Update on the progress of 2024/2025 Improvement Actions** up to 31 March 2025 in line with CIPFA recommendations (attached as Appendix 2). Where slippage has occurred which is material to the effectiveness of the governance arrangements, then this has been factored into the year-end assessment (Appendix 1). Similarly, if any of the continuing or outstanding actions are regarded as being significant in the context of the framework, then these will be included within the Improvement Plan for 2025/2026.

For 2024/25 there were **six improvement actions**. Three actions were completed, and the following three actions are required to be **carried forward** into the 2025/2026 improvement plan as follows:

- **DGG02:** Review of formal operational agreements in place with Partnerships;
- **DGG05:** Revision and updating Role Profiles for Elected Members; and
- **DGG06:** The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control.

- 4.1.3 **2025/2026 Improvement Actions** to further strengthen the Council's governance arrangements – based on the 2024/2025 assessment, lead officers were asked to identify any specific actions they felt would be (a) **desirable** to improve the current arrangements, and (b) **essential** to improve the current arrangements. The resultant actions were reviewed and prioritised by the Corporate Leadership Team to produce a rationalised and proportionate set of Improvement Actions (Appendix 3). For 2025/2026 there have been six new improvement actions identified. Along with the three actions carried forward, there will be a total of nine improvement actions.

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

5.1 The recommendations in this report are consistent with legal requirements.

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 allow scrutiny of performance. The report does not involve proposals for policies, strategies, procedures, processes, financial decisions and activities (including service delivery), both new and at review, that affect the Council's communities and employees, therefore an Integrated Impact Assessment is not required.

## 10. **Sustainable Development Implications**

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

## 11. **Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report as follows:

- Appendices 1 and 2 are reports allowing scrutiny of performance; and
- Appendix 3 is the development of improvement actions based on performance.

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

12.1 The matters referred to in this report contribute to all Priorities of the Council Plan.

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 Brian Connolly, Portfolio Holder for Corporate and Strategic, and the contents of this report reflect any feedback provided.

**Background Papers** [Report to Audit and Governance Panel of 26 June 2024 – Delivering Good Governance – 2023/24 Assessment](#)

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**Date: 13 June 2025**

## Appendix 1: DGG 2024-2025 Year End Assessment

### Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Behaving with integrity</b>		<b>2024-25 Year End Assessment:</b>
<p>1. Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>2. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (Nolan Principles).</p> <p>3. Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>4. Demonstrating, communicating, and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>	<ul style="list-style-type: none"> <li>Both our <a href="#">Councillor's Code of Conduct</a> and our <a href="#">Code of Conduct for Employees</a> identify that behaving with integrity is a key principle that must be followed. The principles within the Councillors' Code are explained as part of the induction training for all new councillors, the Employees Code is issued with all contracts of employment for adherence/acceptance.</li> <li>We maintain a register of interests for each councillor published on the Council's website accessible by <a href="#">Councillor</a> together with a register of the gifts and hospitality received by councillors.</li> <li>Employees declare any private interests or memberships that might cause a conflict of interest to their line manager. Any gifts or hospitality offered to them (other than those of token value) are recorded in directorate registers. <a href="#">Code of Conduct for Employees – Conflict of Interest</a></li> <li>In keeping with our <a href="#">Standing Orders Relating to Meetings</a>, Panel and Council Meetings are conducted with respect. Declarations of interest are <a href="#">made and minuted</a><a href="https://www.south-ayrshire.gov.uk/article/60810/South-Ayrshire-Council-7-December-2023">https://www.south-ayrshire.gov.uk/article/60810/South-Ayrshire-Council-7-December-2023</a> at the start of each of these meetings, to avoid any conflict of interest arising during the conduct of those meetings.</li> </ul>	<p>SL Democratic Governance</p> <p>Chief HR Officer</p>
<b>Demonstrating strong commitment to ethical values</b>		<b>2024-25 Year End Assessment:</b>
<p>5. Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>6. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>7. Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>8. Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>	<ul style="list-style-type: none"> <li>Our <a href="#">Audit and Governance Panel</a> promotes and maintains high standards of conduct by all Councillors, including consideration of the management and operation of ethical standards as set out in the Councillor's Code of Conduct. It recommends to Council any additional protocols, training or support required by Councillors in relation to ethical standards or other matters.</li> <li>We demonstrate through the pursuit of <a href="#">Equalities and Diversity</a> and in setting and delivering our Shared Equality Outcomes (2021-2025), as agreed by the Ayrshire Equality Partnership, and highlighted in our <a href="#">final progress report</a> that we are fully committed to the principles of fairness, equality and human rights. The <a href="#">Equality Outcomes and Mainstreaming Progress Report (2025)</a> sets out how equalities have been further mainstreamed through our organisation. We apply these principles in all we do as a community leader, service provider and employer. During 2024/2025, work has taken</li> </ul>	<p>SL Democratic Governance</p> <p>SL Performance, Community Planning and Sustainability</p> <p>SL Procurement</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2024-2025 Year End Assessment

### Core Principle A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law


	place to develop a new set of <a href="#">Equality Outcomes (2025-2029)</a> for South Ayrshire which will be submitted to <a href="#">Cabinet</a> on the 29 <sup>th</sup> April 2025 for approval. Our <a href="#">Procurement Strategy</a> identifies that where ethically traded goods and services are available, we will work with all relevant stakeholders and take a Best Value approach when applying fair and ethically trading principles in procurement activities.	
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**Appendix 1: DGG 2024-25 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**




<p>18. Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>19. Developing formal and informal partnerships to allow for resources to be used more9 efficiently and outcomes achieved more effectively.</p> <p>20. Ensuring that partnerships are based on trust, a shared commitment to change, a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> <li>• The Council engages with its main ‘institutional stakeholders’ through the <u>Community Planning Partnership</u>, which is underpinned by a Community Planning Board supported by a Strategic Delivery Partnership Chairs Executive, comprising the key partners responsible for facilitating effective community planning as defined in community empowerment legislation. Governance arrangements are in place to ensure the Community Planning Partnership is focused on its agreed priorities. A new <u>Local Outcome Improvement Plan (LOIP) 2024-2029</u> was <u>approved</u> by the Community Planning Board in April 2024 following a lengthy development <u>and consultation phase</u>, and this is supported by new <u>Performance Management Framework</u> and a number of <u>LOIP Action Plans</u> to take forward our key priority areas as highlighted in our <u>Plan on a Page</u>. The <u>LOIP Annual Progress Report 2024</u> closed off our previous <u>LOIP</u> (2017-2023 refreshed 2019).</li> <li>• Our partnerships are underpinned by formal operating agreements, such as with NHS Ayrshire &amp; Arran for our <u>Health and Social Care Partnership</u> (governed through the <u>Integration Joint Board</u>); with East Ayrshire Council for the <u>Ayrshire Roads Alliance</u> (governed by the <u>Ayrshire Shared Services Committee</u>) and with South Carrick Community Leisure for the <u>Quayzone in Girvan</u> (overseen by our <u>Service and Performance Partnerships Panel</u>). A review of the Agreement governing the Health and Social Care Partnership is being taken across the three partnerships in 24/25 . The agreements for ARA and the South Carrick Partnership were reviewed and found fit currently for their purposes.</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p> <p>Chief Governance Officer</p>
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<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Engaging with individual citizens and service users effectively</b>		<b>2024-25 Year End Assessment:</b> 

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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**Appendix 1: DGG 2024-25 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**

<p>21. Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>22. Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>23. Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>24. Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>25. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>26. Taking account of the impact of decisions on future generations of tax payers and service users.</p>	<ul style="list-style-type: none"> <li>• The <a href="#">Community Engagement Strategy</a> continues to provide advice and guidance for the services on engagement and consultation, however the strategy will be refreshed where required during 2025/2026. Work has begun to develop a Community Engagement Checklist which will support services to carry out community engagement more effectively.</li> <li>• <a href="#">Six Locality Planning Groups</a> are in place to help inform the thinking and approach of the Health and Social Care Partnership and there are also Locality Plans for each of the Locality Health and Care Teams. Key developments relating to <a href="#">Locality Planning</a> are reported to the <a href="#">Strategic Planning Advisory Group</a>.</li> <li>• The Participatory Budgeting process gives residents the opportunity to decide where public money is spent in their communities. Annual updates on Participatory Budgeting progress are reported to <a href="#">Service and Partnerships Performance Panel</a>.</li> <li>• We use the <a href="#">South Ayrshire 1000 Citizens' Panel</a> to get the views of South Ayrshire residents, their feedback helping to improve and develop public services.</li> <li>• Services have access to Microsoft 365 which gives them the ability to create their own surveys and engage with the public using the M365 Forms application via the Council's <a href="#">consultations</a> web page.</li> <li>• We use our website to publicise <a href="#">current consultation exercises</a> and to report back on their findings e.g. <a href="#">Prestwick Parking Consultation</a> and <a href="#">Local Outcomes Improvement Plan (2024-2029)</a></li> <li>• <a href="#">Equality Impact Scoping Assessments</a> including The Fairer Scotland Duty are prepared for each Panel and Council report, to give clarity over the impact that the recommended decision will have, including details of what involvement, engagement or consultation took place. In September 2024, <a href="#">Cabinet</a> agreed to fully implement a new <a href="#">Integrated Impact Assessment</a> (IIA) process following a test phase. The IIA considers our legal requirements in terms of the Public Sector Equality Duty and Fairer Scotland duty but also incorporates children's rights; sustainability, climate change and biodiversity; health and wellbeing; impact on older people; rural communities; the impact of trauma; and our commitment to The Promise. Where an IIA has been completed, an <a href="#">IIA Summary Report</a> is produced and attached to panel papers. The IIA Summary Reports highlights all impacts whether be positive, negative, no impact or areas requiring further consideration.</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p> <p>Head of Community Health Care and Services</p> <p>SL Thriving Communities</p> <p>SL Performance, Community Planning and Sustainability</p>
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<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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**Appendix 1: DGG 2024-25 Year End Assessment**  
**Core Principle B. Ensuring openness and comprehensive stakeholder engagement**

	<ul style="list-style-type: none"> <li>• During 2024/25 Thriving Communities have launched <a href="#">Your Area Your Voice Your Choice</a>. This consul platform is designed to assist with Participatory Budgeting and grant applications. SAC also publish <a href="#">our annual consultation log</a> on the website.</li> </ul>	<p align="center">SL Thriving Communities</p>
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## Appendix 1: DGG 2024-25 Year End Assessment


### Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Defining outcomes</b>		<b>2024-25 Year End Assessment:</b> 
<p>27. Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</p> <p>28. Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</p> <p>29. Delivering defined outcomes on a sustainable basis within the resources that will be available</p> <p>30. Identifying and managing risks to the achievement of outcomes</p> <p>31. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available</p>	<ul style="list-style-type: none"> <li>• Our vision is that we want to serve South Ayrshire 'by making a difference every day'.</li> <li>• The <a href="#">Council Plan 2023-28</a> identifies key areas of focus over the next 5 years. The Plan provides a common framework for services and partners to work collaboratively to achieve improved outcomes and wellbeing for our communities. Council Plan Actions supporting Year 2 of Council Plan were approved by <a href="#">Cabinet</a> in June 2024. In March 2025, the process began to develop council plan actions for year three of the Council Plan (2025-2026)</li> <li>• These plans help to inform the resourcing requirements of the Council and at the same time should reflect the realities and constraints around resource availability. We have been working during 2024-25 to improve ties between our plans and our resource strategies, covering <a href="#">Finance</a>, our <a href="#">Workforce</a> and <a href="#">Asset Management</a>. <a href="#">The Asset Management Plan (Land and Property)</a> was approved by <a href="#">South Ayrshire Council in December 2024</a>. It will be updated on annual basis (December 2025) and reviewed every 3 years (December 2028)</li> <li>• Work has commenced to develop the next iteration of the Council's Corporate Workforce Plan.</li> <li>• Our <a href="#">Strategic Risk Register</a> helps us to manage the overarching elements of risk that are critical to the achievement of our desired outcomes, with risk management arrangements also in place at Directorate level.</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p> <p>SL Corporate Accounting</p> <p>SL Asset Management and Community Asset Transfer</p> <p>SL Human Resources</p> <p>SL Risk and Safety</p>

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## Appendix 1: DGG 2024-25 Year End Assessment



### Core Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits




<i>Behaviours and actions that demonstrate good governance in</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Sustainable economic, social and environmental benefits</b>		<b>2024-25 Year End Assessment:</b> 
<p>32. Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>33. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>34. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>35. Ensuring fair access to services</p>	<ul style="list-style-type: none"> <li>• Currently all Panel and Council reports are required to consider 'Sustainable Development and Climate Change Implications' to highlight the environmental impact of proposed policies and plans. From September 2024, this is now complimented by the new Integrated Impact Assessment process which has a series of ten questions within the environmental impacts section which include questions on sustainability, climate change and nature previously highlighted in sections 21 to 26.</li> <li>• The Ayrshire Regional Strategy will be reviewed in 2025/26.</li> <li>• Fairer Scotland Duty has been incorporated into the Equality Impact Assessment process which forms part of the Council's integrated impact assessment. This prompts officers to carefully consider and reflect on how they comply with the legal responsibility placed on the Council to actively consider ('pay due regard' to) how it can reduce inequalities of outcome caused by socioeconomic disadvantage, when making strategic decisions. As of September 2024, the previous Equality Impact Assessment process has been superseded by the new Integrated Impact Assessment of which Fairer Scotland Duty is still incorporated</li> </ul>	<p style="text-align: center;">SL Performance, Community Planning and Sustainability</p> <p style="text-align: center;">Assistant Director - Communities</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment


### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes




<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Determining actions</b>		<b>2024-25 Year End Assessment:</b> 
<p>36. Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided</p> <p>37. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts</p>	<ul style="list-style-type: none"> <li>• Changes in the <a href="#">panel report</a> process were made in March 2025. These <a href="#">updated processes</a> now require officers to, Consider where proposals                             <ul style="list-style-type: none"> <li>• contribute to the Council's 'Shaping Our Future Council' transformation objectives.</li> <li>• Implement an updated options appraisal process; and</li> <li>• Require officers to clarify the intended benefits of any transformation proposal and undertake benefits monitoring and reporting.</li> </ul> </li> </ul>	Service Lead Transformation
<b>Planning actions</b>		<b>2024-25 Year End Assessment:</b> 
<p>38. Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets</p> <p>39. Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered</p> <p>40. Considering and monitoring risks facing each partner when working collaboratively, including shared risks</p> <p>41. Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</p> <p>42. Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured</p>	<ul style="list-style-type: none"> <li>• Our planning and control cycle is set out within the Council's <a href="#">Performance Management Framework</a> for 2023-2028.</li> <li>• Services develop plans with clear targets that are based around the Council's priorities with quarterly reporting to <a href="#">Service and Partnerships Performance Panel</a> and the Council's Leadership Team.</li> <li>• The Service Planning Process allows team plans and <a href="#">Personal Development Review</a> (PDR) to connect directly into the Council's 3 Council Plan Priorities and Outcomes - Spaces and Places; Live, Work, Learn; and Civic and Community Pride.</li> <li>• Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (<a href="#">Pentana</a>) with the contribution of the workforce towards their achievement being assessed through our PDR process. It is managers' responsibility to ensure their staff achieve their objectives. A review of the PDR process is due to conclude with recommendations being presented to ELT in the first instance and thereafter consultation will commence with the Trade Unions</li> <li>• Our PDR template reflects our Purpose, Vision and Values and includes discussion on the <a href="#">Employee Deal</a> with each employee.</li> </ul>	SL Performance, Community Planning and Sustainability  SL Human Resources

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## Appendix 1: DGG 2024-25 Year End Assessment

### Core Principle D. Determining the actions necessary to optimise the achievement of the intended outcomes


<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Planning actions (cont'd)</b>		
<p>43. Ensuring capacity exists to generate the information required to review service quality regularly</p> <p>44. Preparing budgets in accordance with objectives, strategies and the medium-term financial plan</p> <p>45. Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</p>	<ul style="list-style-type: none"> <li>• Council Services completed self-evaluation as part of the Service Improvement Planning Process in February 2024 – this informed the development of Service Improvement Plans for 2024/2025 in May 2024 . The Council has adopted the <a href="#">Public Sector Improvement Framework (PSIF)</a> for self-evaluation and section one of this framework (service planning) was used to support the self-evaluation exercise. Monitoring of service improvement actions has taken place via Pentana with updates provided for the Corporate Leadership Team. During October – December 2024, Housing Services was the first full Service to participate in the full PSIF process checklist. In October – November 2024, South Ayrshire Community Planning Partnership participated in the <a href="#">national</a> Community Planning self-assessment process.</li> <li>• Our annual budget setting exercise is undertaken within the context of the Council Plan 2023-28. Throughout 2024/25, including the 2025/26 budget setting process, a continued focus has been the impact on current and future resource constraints, including inflationary pressures.</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p> <p>SL Corporate Accounting</p>
<b>Optimising achievement of intended outcomes</b>		<b>2024-25 Year End Assessment:</b> 
<p>46. Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints</p> <p>47. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p> <p>48. Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p> <p>49. Ensuring the achievement of ‘social value’ through service planning and commissioning</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Financial Strategy 2020 to 2030</a> and <a href="#">Medium Term Financial Plan 2025-26 to 2029-30</a> are key to ensuring the achievement of the Council’s strategic objectives and are about making sure sufficient resources are available to support their delivery. They will provide assistance in identifying where and when resources will become stretched and encourage the identification of a more prioritised approach to future planning with regard to financial constraints.</li> <li>• We are committed to maximising both the contractual and voluntary <a href="#">Community Benefits</a> from our procurement activities. Evidence of the increase in Community Benefit achieved is published in the Council’s <a href="#">Annual Procurement Report</a>.</li> <li>• <a href="#">Commissioning Plans</a> are in place to deliver on the Health and Social Care Partnership’s (HSCP) <a href="#">Adult Mental Health</a> and <a href="#">Adult Learning Disability</a> strategies. These tie in the HSCP Financial Plan to the <a href="#">HSCP Strategic Plan 2021 to 2031</a>.</li> </ul>	<p>SL Corporate Accounting</p> <p>SL Procurement</p> <p>Head of Community Health and Care Services</p>




<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment

### Core Principle E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it

<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Developing the capability of the Council’s leadership and other individuals</b>		<b>2024-25 Year End Assessment:</b> 
<p>54. Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained</p> <p>55. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body</p> <p>56. Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority</p> <p>57. Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by ensuring:</p> <ul style="list-style-type: none"> <li>• access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• they have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and that they are able to update their knowledge on a continuing basis</li> <li>• personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul>	<ul style="list-style-type: none"> <li>• Role Profiles set out the generic responsibilities of all Members, together with specific ones for the Leader of the Council, Provost, Portfolio Holders and the Chairs of Standing Scrutiny Panels, Regulatory Panel and Other Panels. Role Profiles will be revised and updated in 2025/26.</li> <li>• Job descriptions are in place for the Chief Executive, Directors, Assistant Directors/Chief Officers and Senior Officers.</li> <li>• The Council’s <a href="#">Scheme of Delegation</a> is regularly updated, setting out what powers are exercised by Council, what are delegated to Panels and what are delegated to officers.</li> <li>• The Chief Executive is appraised by the Leader of the Council and other senior Members at the Chief Officers Appointments / Appraisal Panel.</li> <li>• Chief Officers are <a href="#">appraised</a> against our Leadership Competency Framework.</li> <li>• A comprehensive induction programme was provided for Members in May / June 2022.</li> <li>• An ongoing programme of Member Briefings provides updates and discussion on emerging issues/areas of interest, this is available in a hybrid format and can be accessed as recordings where members are unable to attend. Corporate Leadership Team agreed that senior management can now attend Member Briefings.</li> <li>• We have a suite of development and training opportunities for Members including CPD, briefings and political skills self-assessment.</li> <li>• <a href="#">Welcome pages</a> are in place as part of the <a href="#">Future Operating Model</a> to support new employees who are joining on different workstyles e.g. homeworking.</li> <li>• A new <a href="#">Leadership Development Programme</a> is in place, including a range of Leadership Engagement Events.</li> <li>• Our senior officers and managers have Personal Development Plans arising from our Performance and Development Review process.</li> </ul>	<p>SL Democratic Governance</p> <p>SL – Human Resources</p> <p>SL Democratic Governance</p> <p>SL Human Resources</p>

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment



### Core Principle E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it




<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Developing the capability of the Council’s leadership and other individuals (continued)</b>		
<p>58. Ensuring that there are structures in place to encourage public participation</p> <p>59. Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p> <p>60. Holding staff to account through regular performance reviews which take account of training or development needs</p> <p>61. Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing</p>	<ul style="list-style-type: none"> <li>• The Community Engagement Strategy will be refreshed where required during 2025/2026 alongside work on developing a Community Engagement Checklist which will support services to carry out community engagement more effectively.</li> <li>• Our workforce participate in an annual <a href="#">Performance Development Review</a> process, which ties into the Council’s corporate vision and values of the <a href="#">South Ayrshire Way</a>. Managers are responsible for ensuring PDRs are carried out effectively and meaningfully in their area. A review of the PDR process is due to conclude with recommendations being presented to ELT in the first instance and thereafter consultation will commence with the Trade Unions</li> <li>• A number of policies and are in place which are intended to maintain staff health and wellbeing including, the Council’s <a href="#">Flexible Working</a>, <a href="#">Family</a>, <a href="#">Special</a> and <a href="#">Carers</a> Leave provisions which demonstrates commitments and responsibilities under the Equality Act 2010 and Carers Leave Act 2023. A Staff Wellbeing Strategic Plan is also currently under development. <a href="#">YOUR CARE</a> an Employee Assistance Programme (EAP) delivered by our employee benefits provider, VIVUP is also now available to staff. Through the platform staff have access to a dynamic wellbeing platform offering a range of personal, emotional and financial wellbeing tools .</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p> <p>Chief HR Officer</p> <p>SL Corporate Planning and Improvement</p>

<b>Key:</b>	Effective	Effective but scope for improvement	Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment


### Core Principle F. Managing risks and performance through robust internal control and strong public financial management




<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing risk</b>		<b>2024-25 Year End Assessment:</b> 
<p>62. Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making</p> <p>63. Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</p> <p>64. Ensuring that responsibilities for managing individual risks are clearly allocated</p>	<ul style="list-style-type: none"> <li>• A <a href="#">risk management strategy</a> that sets out the overall arrangements for assessing, managing and reviewing risk across the operation of the Council is in place . However, this will be reviewed and updated in 2025 to take into account any changes including structure changes (albeit the risk management principles and methodology is still current)</li> <li>• Strategic and directorate risk registers in place, with a regular review and reporting regime, to ensure risks are managed to a tolerable level.</li> <li>• 6 monthly agreement of the Council's Strategic Risk Register by the <a href="#">Audit and Governance Panel</a> and <a href="#">Cabinet</a>, following specific training for Members.</li> <li>• All Panel and Council reports include 'Risk Implications of Accepting or Rejecting Recommendations'</li> </ul>	SL Risk and Safety
<b>Managing performance</b>		<b>2024-25 Year End Assessment:</b> 
<p>65. Monitoring service delivery effectively including planning, specification, execution and independent post implementation review</p> <p>66. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</p> <p>67. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</p> <p>68. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</p>	<ul style="list-style-type: none"> <li>• Plans are managed and assessed in terms of progress against their actions and performance measures through our performance management system (<a href="#">Pentana</a>).</li> <li>• Scrutiny of these performance reports takes place at the Service and Partnerships Performance Panel. The Council Plan Quarter 2 performance report was submitted to Panel in <a href="#">November 2024</a>. The <a href="#">Annual Performance Report 2023/24</a> was taken to full Council in December 2024. To aide this scrutiny, Members can directly access the performance information held within Pentana.</li> <li>• Realisation and tracking reports now clearly set out what has been achieved by Transformation activities, compared to the expected benefits and this is now reported to <a href="#">Members</a>.</li> <li>• Revenue Budgetary Control reports are regularly presented to Members at <a href="#">Cabinet</a> providing a financial overview of the General Services Revenue Account, Housing Revenue Account and Common Good Accounts. Plans are currently being developed to increase the frequency of budgetary control reports to Cabinet to five per annum.</li> </ul>	<p>SL Performance, Policy, and Community Planning</p> <p>Director – Communities and Transformation</p> <p>SL Corporate Accounting</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment

### Core Principle F. Managing risks and performance through robust internal control and strong public financial management

69. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)		
<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Robust internal control</b>	<b>2024-25 Year End Assessment:</b> 	
70. Aligning the risk management strategy and policies on internal control with achieving objectives	<ul style="list-style-type: none"> <li>• As described under ‘managing risk’ we have a risk management strategy aligned to the Council Plan and Risk Registers which management evaluate and monitor on a 6-monthly basis.</li> <li>• As described under ‘managing performance’ we have internal controls (our <a href="#">Performance Management Framework</a>) designed to help deliver our objectives, which includes review by management on progress achieved, on a 6-monthly basis.</li> <li>• As described under ‘Respecting the rule of law’ we have counter fraud and anti-corruption arrangements, together with a <a href="#">Corporate Fraud Team</a> that reports to the Audit and Governance Panel on a <a href="#">6 monthly basis</a>. The Council also participates in the biennial National Fraud Initiative exercises. The Chief Internal Auditor is a member of the Council’s Integrity Group.</li> <li>• Our Internal Audit team develop their <a href="#">annual plan</a> linked to risk register and Council Plan. It is focused on areas where Internal Audit can effectively contribute to the effectiveness and efficiency of governance, risk management and control processes. The annual plan includes and allocation of time for investigation and for contingency assignments to allow Internal Audit to respond to fraud and emerging risks. Progress against the annual Internal Audit plan and directorate’s progress against the implementation of Internal Audit actions is reported quarterly to the Audit and Governance Panel, together with the Internal Audit Annual Report and the Internal Audit Annual Statement on the Adequacy of Internal Controls</li> <li>• Our Audit and Governance Panel, whose chair and vice chair are independent of the ruling political administration, is responsible for considering the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control arrangements, including the associated anti-fraud and anti-corruption arrangements. The work of the Panel is conducted in line with our <a href="#">Audit Committee Handbook</a>, and <a href="#">CIPFA Guidelines</a>.</li> </ul>	SL Risk and Safety
71. Evaluating and monitoring risk management and internal control on a regular basis		SL Performance, Community Planning and Sustainability
72. Ensuring effective counter fraud and anti-corruption arrangements are in place		
73. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor		SL Internal Audit
74. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon</li> </ul>		SL Democratic Governance

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment




### Core Principle F. Managing risks and performance through robust internal control and strong public financial management

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|--|--|--|
|  | <ul style="list-style-type: none"><li>• Regular updates are also provided to the Audit and Governance Panel on progress against <a href="#">Internal Audit</a> improvement actions together with progress against <a href="#">External Audit Reports</a>.</li><li>• The Panel also administers the 'Call-In' process, where decisions of the Cabinet can be 'called in' by other Members, to allow further scrutiny to take place.</li></ul> |  |
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## Appendix 1: DGG 2024-25 Year End Assessment



### Core Principle F. Managing risks and performance through robust internal control and strong public financial management




<i>Behaviours and actions that demonstrate good governance in practice...</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Managing data</b>		<b>2024-25 Year End Assessment:</b> 
<p>75. Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data</p> <p>76. Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</p> <p>77. Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Records Management Plan</a> sets out proper arrangements for the management of both electronic and physical records across all Council service areas, in compliance with the Public Records (Scotland) Act 2011.</li> <li>• Our <a href="#">Data Protection Policy</a> sets out our arrangements to ensure that we are fully compliant with the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act 2018. Data Protection training was provided to Services in January 2024.</li> <li>• We have <a href="#">guidance over sharing of data</a> and a specific <a href="#">Ayrshire and Arran Protocol</a> regulating the sharing of data with the Police Service for Scotland and Scotland Fire &amp; Rescue. An <a href="#">information sharing protocol</a> is in place between South Ayrshire Council, East Ayrshire Council, North Ayrshire Council, NHS Ayrshire and Arran and the Health and Social Care Partnership Service Integration Joint Boards.</li> </ul>	SL Democratic Governance
<b>Strong public financial management</b>		<b>2024-25 Year End Assessment:</b> 
<p>78. Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance</p> <p>79. Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Medium-Term Financial Plan 2025-26 to 2029-30</a> is key to ensuring the achievement of the Council's strategic objectives. Our planning at Service and Improvement Plan level continues to be linked to budgets available to services. Links exist between our 'financial' and 'performance' reporting including reference in the financial reports to the impact on service performance for context.</li> <li>• The Council has a long record of strong financial management as evidenced by its history of positive internal and external audit reports. Following the implementation of a new Enterprise Resource Planning system in 2023, work to develop and improve the range and accessibility of financial information available to budget holders and senior management is continuing, with particular focus on identifying and resolving gaps in system users' knowledge through targeted training programmes to address known, recurring issues including miscoding and order status maintenance. Refresher training will also be provided on Financial Regulations and other financial controls to help embed further improvement in financial management at all levels of the organisation.</li> </ul>	SL Corporate Accounting

<b>Key:</b>	 Effective	 Effective but scope for improvement	 Requiring improvement
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## Appendix 1: DGG 2024-25 Year End Assessment

### Core Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

<i>Behaviours and actions that demonstrate good governance in practice....</i>	<i>Current arrangements in South Ayrshire that support those behaviours and actions.....</i>	Lead officers
<b>Implementing good practice in transparency</b>		<b>2024-25 Year End Assessment:</b> 
<p>80. Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate</p> <p>81. Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand</p>	<ul style="list-style-type: none"> <li>• Our <a href="#">Council website</a> offers the public easy access to up to date information. We now comply with the <a href="#">Public Sector Bodies Accessibility Regulations</a> with regards to the accessibility of the documents we publish. We also use a <a href="#">range of social media</a> to ensure that we appeal to and engage with a broad range of audiences. We offer translations and alternative formats for our printed publications.</li> <li>• Our social media profile continues to increase with over 69,000 followers across all of our corporate platforms. We publish quarterly editions of our SAC Live Magazine, providing residents with information on our services and the work of the Council.</li> <li>• Our <a href="#">Annual Accounts</a> feature a reader-friendly 'management commentary' covering our administration, financial management and performance over the course of the last year, providing a concise outline of progress, illustrated with examples and infographics.</li> </ul>	<p>SL Transformation</p> <p>SL Communication and Customer Services</p> <p>SL Corporate Accounting</p>
<b>Implementing good practices in reporting</b>		<b>2024-25 Year End Assessment:</b> 
<p>82. Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way</p> <p>83. Ensuring members and senior management own the results reported</p> <p>84. Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations</p> <p>85. Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</p> <p>86. Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate</p>	<ul style="list-style-type: none"> <li>• Our approach to <a href="#">public performance reporting</a> includes our <a href="#">Annual Performance Report</a>, and annual reports for high profile services including <a href="#">Educational Services</a>, <a href="#">Housing</a> and the <a href="#">Health and Social Care Partnership</a>.</li> <li>• Council decisions are taken by Members and these are <a href="#">minuted and published</a>.</li> <li>• Our <a href="#">Council's Annual Performance Report</a> and analysis of <a href="#">benchmarking data</a> allows the public to assess performance across all the main areas of Council service provision. Our <a href="#">Public Performance webpage</a> allows people to find out more about how the Council and Community Planning Partnership are performing.</li> <li>• We will introduce updated evaluation procedures for this Framework, maintaining the robustness of our existing approach, where the <a href="#">initial officer assessment</a> is scrutinised by the <a href="#">Audit and Governance Panel</a>, the findings and improvement actions then being reflected in the Council's Annual Governance Statement within our Annual Accounts.</li> <li>• We look for the principles of good governance, rather than this Framework itself, to be evident wherever we work in partnership. For example, our Health and Social Care Partnership publish their <a href="#">detailed governance arrangements on their website</a>.</li> </ul>	<p>SL Performance, Community Planning and Sustainability</p>

<b>Key:</b>		Effective		Effective but scope for improvement		Requiring improvement
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## Appendix 2 - Delivering Good Governance – 2024/25 Improvement Actions – Update on progress to 31 March 2025

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG 01 Governance through reporting by Officers to ensure consultation data and findings are published	31-Mar-2024	Service Lead - Thriving Communities	11-Oct-2024 The annual log of consultations has been published on the website by Thriving Communities.	Completed	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	Carried forward from DGG Plan 2023-24 Due date revised as per agreed 2024/25 plan	30-Sep-2024
DGG02 Review of formal operational agreements in place with Partnerships	31-Mar-2025	Chief Governance Officer	27-May-2025 A review of the Agreement governing the Health and Social Care Partnership is being taken across the three partnerships in 24/25 . The agreements for ARA and the South Carrick Partnership were reviewed and found fit currently for their purposes.	Re-assess due date	<div style="width: 80%;"><div style="width: 80%;"></div></div> 80%		31-Mar-2025

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG 03 Revision of the Council’s Land and Property Asset Management Plan	31-Mar-2023	Service Lead - Asset Management and Community Asset Transfer	20-Dec-2024 2024 Asset Management Plan (Land and Buildings) approved at Council 12th December 2024. Requested to be made public to webmaster 19th December 2024.	Completed	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	Carried forward from DGG Plan 2023-24 Due date revised as per agreed 2024/25 plan	30-Jun-2022

### D. Determining the actions necessary to optimise the achievement of the intended outcomes

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG 04 Review of the Health and Social Care Partnership Adult Mental Health Strategy	31-Mar-2023	Head of Community Health & Care Services	24-Feb-2025 The South Ayrshire Integration Joint Board at its meeting on 11th December 2024, approved the refreshed Live Well: Adult Mental Health and Wellbeing Strategy and it's accompanying Delivery Plan for the period 2024-2034. It sets out key strategic themes that were identified through the vast	Completed	<div style="width: 100%;"><div style="width: 100%;"></div></div> 100%	Carried forward from DGG Plan 2023-24 Due date	31-Dec-2024

## Appendix 2 - Delivering Good Governance – 2024/25 Improvement Actions – Update on progress to 31 March 2025

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
			range of engagement activities that took place during the development process.			revised as per agreed 2024/25 plan	

### E. Developing the Council’s capacity, including the capability of its leadership and the individuals within it

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG05 Revision and updating of Role Profiles for Elected Members	31-Mar-2025	Service Lead - Democratic Governance	14-May-2025 Action to be carried forward to 2025/26 action plan	Re-assess due date	<div style="width: 10%; background-color: #4f81bd; height: 10px;"></div> 10%		31-Mar-2025

### F. Managing risk and performance through robust internal control and strong public financial management

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG06 The new Enterprise Resource Planning system will facilitate both the adoption of good practice and further improvement in financial management and control	31-Mar-2023	Service Lead - Corporate Accounting	26-Aug-2024 Significant progress has been made since implementation April 2023 in understanding the process requirements of all aspects of Oracle Fusion and overcoming the associated teething problems. Although some teething issues remain, officers across all services but particularly in Finance, Procurement and ICT have learned a considerable amount about the system and the processes and controls required to facilitate its operation. This understanding is critical in order to develop and utilise the system in the most effective way possible, in order to support ongoing and continued improvement in financial management across the organisation.	Re-assess due date	<div style="width: 80%; background-color: #4f81bd; height: 10px;"></div> 80%	Carried forward from DGG Plan 2023-24 Due date revised as per agreed 2024/25 plan	31-Mar-2025

## Appendix 3 - Delivering Good Governance – Proposed 2025/26 Improvement Actions

### B. Ensuring openness and comprehensive stakeholder engagement

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG01 Refresh Community Engagement Strategy where required	31-Mar-2026	Service Lead - Performance, Community Planning and Sustainability			0% <input style="width: 50px;" type="text"/>		31-Mar-2026

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG02 Update Asset Management Plan (Land and Property)	31-Dec-2025	Service Lead - Asset Management and Community Asset Transfer			0% <input style="width: 50px;" type="text"/>		31-Dec-2025

### D. Determining the actions necessary to optimise the achievement of the intended outcomes

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG03 Complete review of Ayrshire Regional Strategy by South Ayrshire Council officers.	31-Mar-2026	Service Lead - Economy and Regeneration			0% <input style="width: 50px;" type="text"/>		31-Mar-2026

### F. Managing risk and performance through robust internal control and strong public financial management

### Appendix 3 - Delivering Good Governance – Proposed 2025/26 Improvement Actions

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG04 Review and update Risk Management strategy to take into account any changes including structure changes (albeit the risk management principles and methodology is still current)	31-Mar-2026	Service Lead - Risk and Safety			<input type="text" value="0%"/>		31-Mar-2026

#### G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Action	Original Due Date	Managed By	Latest Note	SAC Status	Progress	Agreed Revisions	Current Due Date
DGG05 Development and delivery of a targeted training programme to address knowledge gaps in elements of the P2P process, including coding and order status maintenance.	31-Mar-2026	Service Lead - Corporate Accounting			<input type="text" value="0%"/>		31-Mar-2026
DGG06 Introduce updated evaluation procedures for this Framework	31-Mar-2026	Service Lead - Performance, Community Planning and Sustainability			<input type="text" value="0%"/>		31-Mar-2026

**South Ayrshire Council**

**Report by Chief Financial Officer  
to Audit and Governance Panel  
of 25 June 2025**

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**Subject: Treasury Management Annual Report 2024/25**

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**1. Purpose**

- 1.1 The purpose of this report is to present, in line with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, the annual report of treasury management activities for 2024-25 (as attached at [Appendix 1](#)) and seek Members' consideration of its contents.

**2. Recommendation**

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

**2.1.1 considers the Annual Treasury Management Report 2024/25, as attached at [Appendix 1](#); and**

**2.1.2 remits the Annual Treasury Management Report to Council on 18 September for approval.**

**3. Background**

- 3.1 The Council is required through regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury report reviewing treasury management activities and prudential and treasury indicators. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

- 3.2 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

- 3.3 The Chief Financial Officer also confirms that the Council has complied with the requirements under the Code, to give prior scrutiny of treasury management reporting to the Council's Audit and Governance Panel prior to submitting the report to Cabinet.

3.4 Treasury management in this context is defined as:

***‘The management of the local authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.***

#### 4. Proposals

4.1 The Treasury Management Annual Report for 2024/25 is submitted to the Panel, as Audit and Governance Panel, in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, for consideration and thereafter remit to the Council meeting on 9th October for approval.

#### 4.2 **Executive Summary**

During 2024/25, the Council complied with its legislative and regulatory requirements. The key prudential indicators detailing the impact of capital expenditure activities during the year, with previous year comparators, are shown below.

<b><i>Actual Prudential and Treasury Indicators</i></b>	<b><i>2023/24 Actual £'000</i></b>	<b><i>2024/25 Actual £'000</i></b>
Capital Expenditure	<b>99,288</b>	<b>87,844</b>
Total Capital Financing Requirement (including other long-term liabilities)	534,409	623,441
PPP, Finance Lease and Right of Use Assets (ROU)	(88,023)	(126,607)
<b>Underlying Borrowing Requirement</b>	<b>446,386</b>	<b>495,503</b>
Gross External Debt	387,659	432,935
Under (Over) Borrowed	58,727	62,568
Cash/Investments	(26,384)	(14,065)
<b>Net External Debt</b>	<b>361,275</b>	<b>418,874</b>

4.3 The table above shows that the Council has an under-borrowed position on 31 March 2025 of £63,897m, c12.86%. This means the Council has used internal borrowing from cash/reserves to fund an element of its current capital expenditure requirements. It does not indicate that borrowing for the capital programme has not been undertaken; only that internal cash resource has been used as funding, opposed to external borrowing. The under borrowed position has increased in 2024/25 in part due to the high interest rates for external borrowing.

4.4 Although this is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates, the Council’s under-borrowed position is 6.71% of its overall under-lying borrowing requirement and is therefore manageable within the current strategy. The strategy for 2025/26

is expected to maintain an under-borrowed position whilst closely monitoring longer term PWLB and market rates in considering new borrowing.

4.5 Other prudential and treasury indicators are included in [Appendix 1](#) to this report. The Chief Financial Officer also confirms that any borrowing was only undertaken for capital purpose and the statutory borrowing limit (the authorised limit) was not breached during 2024/25.

4.6 The financial year 2024/25 remained a challenging environment due to a volatile economic environment. Interest rates remained at a higher level than forecast but have decreased in-year.

## 5. Legal and Procurement Implications

5.1 There are no legal implications arising from this report.

5.2 There are no procurement implications arising from this report.

## 6. Financial Implications

### 6.1 General Services

6.1.1 **Interest on Revenue Balances Held** – the Council originally budgeted to receive £2.13m in interest income (based on a return of 5.00%) to the General Fund in 2024/25. Interest rates for investment remained higher throughout 2024/25, with the strategy outperforming budget return resulting in an investment surplus. Overall investments are lower in 24-25 as there has been less surplus to invest.

Investment income to the General Fund out turned at £2.216m, a surplus of £0.086m. Interest was also received to the Council’s Repairs and Renewals Fund and Capital Fund to the value of £0.055m.

6.1.2 **Capital Financing Costs** - the Council originally budgeted £17.610m for financing costs and expenses on debt for 2024/25. This budget consisted of £6.457m in loan principal, £10.979m in interest and £0.174m in expenses. During 2024/25, a pragmatic approach was taken when considering the borrowing requirements to fund capital expenditure. However, even with this the borrowing strategy during 2024/25 resulted in an overspend as under-noted:

	Budget £'000	Out-turn £'000	Variance £'000
Principal	6,457	6,397	60
Interest	10,979	13,504	(2,525)
Expenses	174	361	(187)
<b>Capital Financing costs</b>	<b>17,610</b>	<b>20,262</b>	<b>(2,652)</b>
<b>Investment income</b>	<b>(2,130)</b>	<b>(2,216)</b>	<b>86</b>
<b>Total Debt charges</b>	<b>15,480</b>	<b>18,046</b>	<b>(2,566)</b>

The borrowing strategy undertaken in 2024/25 resulted in an overall overspend to the General Services of £2.566m. This is due to interest rates remaining higher than forecast throughout 2024/25 due to higher inflation rates and the continued war in Ukraine and the Middle East.

PWLB rates still remain reasonably high as do rates for short-term borrowing which overall has resulted in higher costs for borrowing. This is discussed further in the Economic Commentary. The overall overspend was reduced due to the investment strategy overperforming.

## 6.2 Housing Revenue Account (HRA)

6.2.1 **Interest on HRA Revenue Balances Held** – the HRA budgeted to receive investment income of £0.240m on its revenue balances in 2024/25 based on achieving an interest rate of 5.00%. Like the General Fund the investment strategy was able to out-perform budget resulting in a return of £0.245m in investment income a surplus of £0.005m.

6.2.2 **Capital Financing Costs** - the HRA budgeted £7.278m for financing costs on debt for 2024/25. This consisted of £2.443m in loan principal, £4.763m in interest and £0.072m in expenses.

	Budget £'000	Out-turn £'000	Variance £'000
<b>Principal</b>	2,443	2,443	0
<b>Interest</b>	4,763	4,737	26
<b>Expenses</b>	72	88	(16)
<b>Capital Financing costs</b>	<b>7,278</b>	<b>7,268</b>	<b>10</b>
<b>Investment income</b>	<b>(240)</b>	<b>(245)</b>	<b>5</b>
	<b>7,038</b>	<b>7,023</b>	<b>15</b>

The borrowing strategy undertaken in 2024/25 resulted in an overall underspend to the HRA of £0.015m.

6.3 In total, net debt financing costs were overspent by £2.642m, and when added to an over achievement in interest income of £0.092m resulted in an overall deficit of £2.549m which was reflected in the Council and HRA financial position at 2024/25.

## 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 If the recommendations are rejected, then the Council will be non-compliant with the requirements contained in both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

## 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

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 Ian Davis, Portfolio Holder for Finance, Human Resources and ICT, and the contents of this report reflect any feedback provided.

**Background Papers** CIPFA Code of Practice for Treasury Management in Local Authorities

Report to South Ayrshire Council of 6 March 2025 – [Treasury Management and Investment Strategy Mid-year Report 2024-25](#)

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**Date:** 18 June 2025

**South Ayrshire Council**  
**Treasury Management Annual Report 2024/25**

**Introduction**

In accordance with the requirements of the CIPFA Code of Practice on Treasury Management in the Public Services, this report covers the following:

- Section 1 - The Council's Capital Expenditure and Financing 2024/25.
- Section 2 – The Council's overall borrowing need.
- Section 3 – Treasury Position as of 31 March 2025.
- Section 4 – The Strategy for 2024/25.
- Section 5 – The Economy and Interest Rates
- Section 6 – Borrowing Rates 2024/25
- Section 7 – Borrowing Outturn 2024/25
- Section 8 – Investment Outturn 2024/25
- Section 9 – Other Issues

**Section 1 The Council's Capital Expenditure and Financing 2024/25**

1.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which have no resultant impact on the Council's borrowing need; or
- if insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing requirement.

1.2 The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual expenditure, how this was financed and the resulting borrowing requirement.

**Table 1**

<i>Item</i>	<i>2023/24 Actual £'000</i>	<i>2024/25 Estimate per Strategy</i>	<i>2024/25 Actual</i>
General Fund capital expenditure	53,603	102,570	39,475
HRA capital expenditure	45,685	95,619	48,369
<b>Total</b>	<b>99,288</b>	<b>198,189</b>	<b>87,844</b>
Resourced by:			
Government Grant & Other	(23,910)	(16,939)	(21,280)
Other funding identified	(15,791)	(39,760)	(11,161)
<b>Borrowing :</b>	<b>59,587</b>	<b>141,490</b>	<b>55,403</b>

1.3 The reason for the movement between planned expenditure/funding and actual out-turns for 2024/25 can be found in the General Services and HRA 2024/25 capital monitoring reports presented to Cabinet throughout 2024/25. The largest examples (by value) of reprofiling of spend in to 2025/26 being:

- Hourstons Development - £2m
- Girvan Primary School – £14.5m
- Ayrshire Growth Deal - £27.2m
- Former Riverside Block - £3.5m
- LDP2 Unallocated New Builds - £6m
- Net Zero works - £2.6m
- Citadel Refurbishment - £2m
- Green Waste project – £6.6m
- HRA external fabric Upgrades - £3m
- HRA Partial Modernisation - £1.5m
- HRA Refurbishment - £1.9m

## Section 2 The Council's overall Borrowing Need

2.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2024/25 unfinanced capital expenditure (Table 1), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

2.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service manages the Council's cash position to ensure that sufficient cash is available to meet not only the capital plans but also to manage the daily cash flow requirements of funding its revenue commitments of payroll, suppliers, benefits etc.

2.3 This borrowing for capital expenditure may be sourced through external bodies such as the Government, through the Public Works Loan Board [PWLB] or the money markets) or utilising temporary cash resources within the Council (internal borrowing).

2.4 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the scheduled debt amortisation as a loan repayment, to reduce the CFR. This is effectively a repayment of the borrowing need and differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge. The Council's 2024/25 prudent repayment policy, (as required by Scottish Government), was approved as part of the Treasury Management Strategy Report for 2024/25 on 6/03/2024.

2.5 The Council's CFR for the year is shown below and represents a key prudential indicator. It includes PFI, ROU and finance leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

The undernoted table shows the Council's underlying borrowing requirement, inclusive of PPP and Finance lease arrangements, as of 31 March 2025.

**Table 2**

<b><i>Capital Financing Requirement</i></b>	<b>31 Mar 2024 £'000</b>	<b>31 Mar 2025 £'000</b>
<b><i>Opening Balance</i></b>	<b>484,608</b>	<b>534,409</b>
Add unfinanced capital expenditure	59,587	57,957
Add new OLTL obligations (PPP/Finance & ROU)	0	49,001
Retrospective PPP adjustment	0	0
Less loans fund repayment	(7,935)	(8,840)
Less PPP/ finance & ROU lease repayment	(1,851)	(9,086)
<b><i>Closing Balance</i></b>	<b>534,409</b>	<b>623,441</b>

The borrowing activity is constrained by prudential indicators for gross borrowing, CFR, and by the authorised limit. The increasing CFR position reflects the Council's capital programme expenditure in 2024/25 and the resulting borrowing requirements to fund this investment.

2.6 ***Gross Borrowing and the CFR*** - to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs 2024/25.

The table below highlights the Council's gross borrowing position against the CFR.

**Table 3/**

**Table 3**

<i>Item</i>	<b>31 March 2024 £'000</b>	<b>31 March 2025 £'000</b>
Capital Financing Requirement (CFR)	534,409	623,441
Gross External Borrowing Position (including PPP, ROU and finance Lease)	475.683	560,873
<b>Net Under/ (Over) Borrowed Position</b>	<b>58,726</b>	<b>62,568</b>

The table above shows the CFR in an under-borrowed position on 31 March 2025 of £31,155m. This means the Council has used internal borrowing from cash/ reserves to fund an element of its current capital expenditure requirements.

This is a prudent position in the current interest rate environment given the cost of external borrowing compared with cash investment rates. The current strategy for 2024/25 is expected to maintain this under-borrowed position whilst closely monitoring longer term PWLB and market rates and consideration of potentially re-financing some of the temporary loan debt with longer term.

## 2.7 **Borrowing Prudential Indicators**

- **The Authorised Limit – Table 4** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2024/25 the Council has maintained gross borrowing within its authorised limit.
- **The Operational Boundary – Table 4** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- **Actual Financing Costs as a Proportion of Net Revenue Stream – Table 5** - this indicator identifies the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream of the Council.

**Table 4**

<i>Item</i>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
<b>Authorised Borrowing Limit External Debt</b>	<b>579,408</b>	<b>663,098</b>
Borrowing	387,659	432,935
Other Long-Term Liabilities	88,023	127,938
<b>Total</b>	<b>475,682</b>	<b>560,873</b>
<b>Operational Boundary External Debt</b>	<b>525,683</b>	<b>620,873</b>
Borrowing	387,659	432,935
Other Long-Term Liabilities	88.023	127.938
<b>Total</b>	<b>475.682</b>	<b>560.873</b>

**Table 5**

<i>Ratio of Financing Costs to Net Revenue Stream</i>	<i>Actual 2023/24</i>	<i>Estimated 2024/25</i>
General Services	5.23%	6.75%
HRA	12.36%	20.44%
<b>Total</b>	<b>5.95%</b>	<b>8.06%</b>

**Section 3 Treasury Position as of 31<sup>st</sup> March 2025**

3.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

At the end of 2024/25 the Council's treasury, (excluding borrowing by PFI and ROU and finance leases), position was as follows:

**Table 6**

	<i>Borrowing position as at 31 March 2024</i>		<i>Borrowing position as at 31 March 2025</i>		<i>Change in year</i>
	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>	<i>Average interest rate %</i>	<i>£'000</i>
<b>Long Term Borrowing</b>					
Public Works Loans Board	239,459	3.64	279,235	3.79	39,776
Market – Fixed	44,000	3.72	49,000	4.51	5,000
LOBO (Option Loans)	33,200	4.52	33,200	4.58	0
<b>Total Long-Term Borrowing</b>	<b>316,659</b>		<b>361,435</b>		<b>44,776</b>
Short Term Borrowing	71,000	4.92	71,500	5.24	500
<b>Total External Borrowing</b>	<b>387,659</b>	<b>3.96</b>	<b>432,935*</b>	<b>4.18</b>	<b>45,276</b>
CFR (underlying borrowing need)	446,273		464,090		47,374
Over (Under) Borrowing	<b>(58,614)</b>		<b>(31,155)</b>		<b>(2,098)</b>
Investments	<b>(26,384)</b>	<b>5.37</b>	<b>(14,065)</b>	<b>4.90</b>	

\* The carrying amount of loans on the Council's balance sheet as of 31 March 2025 is £440,315m. The difference between this figure and the external borrowing shown in Table 6 above is £6,577m of accrued interest and £0.803m of equivalent interest rate accounting adjustments required by the Code of Practice on local authority accounting.

3.2 **Table 7** below details the profile of the Council's loan maturity periods as of 31 March 2025.

**Table 7**

<b>Maturity analysis of Debt Outstanding at 31 March 2025</b>	<b>PWLB £'000</b>	<b>Market £'000</b>	<b>LOBO (Option) £'000</b>	<b>Temp Borrowing</b>	<b>Total £'000</b>
Maturing within 1 year	2,896	29,000	0	71,500	103,396
Maturing 1 to 2 years	7,396	5,000	0	0	12,396
Maturing 2 to 5 years	28,088	15,000	3,000	0	46,088
Maturing 5 to 10 years	56,966	0	0	0	56,966
Maturing 10 to 20 years	33,220	0	5,500	0	38,720
Maturing 20 to 30 years	29,504	0	10,000	0	39,504
Maturing 30 to 40 years	48,665	0	0	0	48,665
Maturing 40 to 50 years	72,500	0	9,700	0	82,200
Maturing > 50 years	0	0	5,000	0	5,000
<b>Total</b>	<b>279,235</b>	<b>49,000</b>	<b>33,200</b>	<b>71,500</b>	<b>432,935</b>

3.3 **Loans fund** - where a local authority has a Housing Revenue Account, the HRA should be reported separately from the General Fund. The reporting on the commitment to repay loans fund advances is for repayments only and does not include any interest costs. The Loans Fund balances are set out in Table 8 and Table 8(a) below:

**Table 8 – Loans Fund Advances to General Fund**

<b>Loans Fund</b>	<b>31 March 2024 (£'000)</b>	<b>31 March 2025 (£'000)</b>
Opening Balance	289,526	314,765
Add advances	31,500	22,480
Less repayments	(6,261)	(6,397)
Closing Balance	<b>314,765</b>	<b>330,848</b>

**Table 8(a) – Loans Fund Advances to HRA**

<b>Loans Fund</b>	<b>31 March 2024 (£'000)</b>	<b>31 March 2025 (£'000)</b>
Opening Balance	76,839	103,325
Add advances	28,160	33,210
Less repayments	(1,674)	(2,443)
Closing Balance	<b>103,325</b>	<b>134,092</b>

## **Section 4 Strategy for 2024/25**

4.1 Investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat, which might be considered unusual as further Bank Rate cuts were expected in 2025/26. Investments in 2024/25 were lower as there have been less funds available for investment.

Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2025, market sentiment has been heavily influenced of late by President Trump's wide-ranging trade tariffs policy. Commentators anticipate a growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26.

Looking back to 2024/25, investors were able to achieve returns in excess of 5% for all periods ranging from 1 month to 12 months in the spring of 2024 but by March 2025 deposit rates were some 0.75% - 1% lower.

That is not to say that investment choices were straight-forward. Concerns over rising inflation after the Autumn Statement in October led to reduced expectations for Bank Rate to fall. Indeed, the CPI measure of inflation is expected to reach c3.75% by the autumn of 2025, which could provide for some presentational issues for a Bank whose primary mandate is to ensure inflation is close to 2% on a two-to-three-year timeframe. At the end of March, only two further rate cuts were priced into the market for 2025 (4% at December 2025). A week later and sentiment has changed dramatically in the wake of the equity market sell-off to the extent that markets now expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

## **Section 5 Economy and Interest Rates**

### **5.1 UK Economy**

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% y/y (April), the Consumer Price Index (CPI) measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% y/y (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.25% after the Monetary Policy Commission (MPC) on 8 May 2025, despite the

Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	4.25% (May)	2.5%	4.25%-4.5%
<b>GDP</b>	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
<b>Inflation</b>	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
<b>Unemployment Rate</b>	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, suggesting further reductions would be gradual. The. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.

Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¾% in Q3. And while in February the bank stated that "inflation is expected to fall back thereafter to around the 2% target", this time the bank stated it would "fall back thereafter". That may be a sign that the Bank is getting a bit more worried about the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking "a gradual and careful" approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness amongst the British workforce. Currently wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3<sup>rd</sup> March. The movement on the £ has

also been volatile as it hit a peak of \$1.34 before dropping to \$1.22 in January and then reaching \$1.27 in early April 2025.

## 5.2 USA Economy

Despite the markets willing the Federal Open Market Committee (FOMC) to repeat the pattern of rate cuts that occurred in 2024 (100 basis points in total), the Fed Chair, Jay Powell, has suggested that the Fed. Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump's tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

## 5.3 EZ Economy

The Eurozone economy has struggled throughout 2024 and remains at a continuous low level of growth at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Euro-zone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

## Section 6 Borrowing Rates in 2024/25

### 6.1 Public Works Loan Board (PWLB) Borrowing Rates -

#### HIGH/LOW/AVERAGE PWLB RATES FOR 2024/25

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.77%	4.31%	4.52%	5.08%	4.88%
<b>Date</b>	26/02/2025	17/09/2024	17/09/2024	17/09/2024	17/09/2024
<b>High</b>	5.61%	5.34%	5.71%	6.18%	5.88%
<b>Date</b>	29/05/2024	13/01/2025	13/01/2025	13/01/2025	09/01/2025
<b>Average</b>	5.14%	4.86%	5.07%	5.56%	5.32%
<b>Spread</b>	0.84%	1.03%	1.19%	1.10%	1.00%

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at

times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid, then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, European Central Bank (ECM) and Bank of England are all being challenged by levels of persistent inflation that are exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

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

MUFG Corporate Markets Interest Rate View 28.05.24												
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
<b>BANK RATE</b>	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
<b>BANK RATE</b>	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

## 6.2 Borrowing strategy and control of interest rate risk

During 2024/25, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Authority has sought to minimise the taking on of long-term borrowing at elevated

levels (>5%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<5 years) as appropriate.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Financial Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around a relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from the stickiness of inflation in the major developed economies, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.

At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve too.

This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

## **Section 7    Borrowing Outturn**

- 7.1 During 2024/25 the Council funded part of the capital borrowing requirement in the short-term market, with temporary borrowing of £71.500m, by March 2025. However, additional long-term borrowing (PWLB) of £42.000m was also undertaken, taking advantage of any lower interest rates and gaps in the borrowing maturity profile. The Council were in an under-borrowed position of £31,155m for 2024/25. The Council has not borrowed more than, or in advance of its needs, purely to profit from the investment of the extra sums borrowed.
- 7.2 During 2025/26 focus will be on monitoring longer term rates and looking to borrow longer term to meet the CFR when appropriate and at the same time consider some short-term borrowing where rates are suitable.
- 7.3 During 2024/25 the actual borrowing and repayments of external debt transacted are shown in Table 10 below. This shows temporary borrowing slightly increased and

mid-term borrowing has increased. Longer-term borrowing has been undertaken when rates have allowed, a prudent position in the current interest rate environment. The Council's policy was to ensure that not more than 25% of long-term loans are due to mature within any financial year. The indicator for maturing debt of 23% (within one year) is 2% below the maturity limit indicator in 2024/25.

**Table 9**

Loan Type	Borrowed 2024/25 £'000	Repaid 2024/25 £'000	Net £'000
PWLB	42,000	(2,225)	39,775
Market Loans	15,000	(10,000)	5,000
Temporary borrowing	73,500	(73,000)	500
	<b>130,500</b>	<b>(85,225)</b>	<b>45,275</b>

7.4 **Debt Re-scheduling** – no external debt was re-scheduled during 2024/25 as the average differential of 1% between PWLB new borrowing rates and premature redemption rates made early repayment of loans expensive and unviable due to the premiums that would be payable.

## Section 8 Investment Out-turn, and Policy in 2024/25

8.1 The Council's investment policy is governed by Scottish Government investment regulations, which have been implemented in the annual investment strategy approved by the Council on 6th March 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

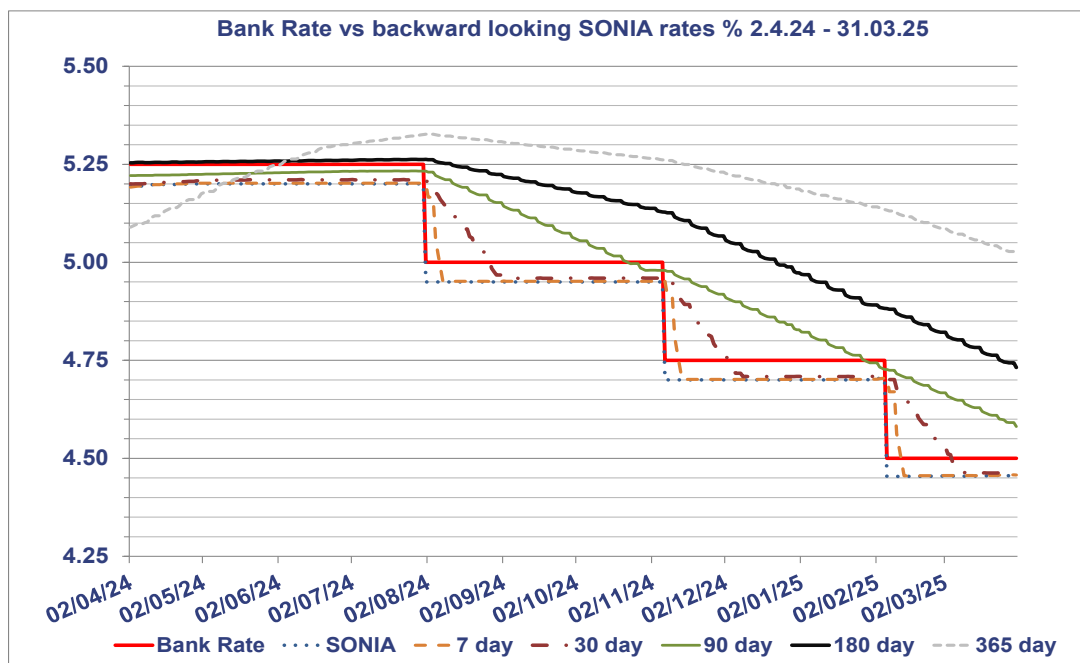
8.2 **Investment Out-turn** – the Council maintained an average balance of £18,225m of internally managed investment funds. The internally managed funds earned an average rate of return of 5.085%.

The comparable performance indicator is the 90d backward Sterling Overnight Index Average (SONIA) compounded rate which was 5.015%.

**Table 10**

	<b>Average Value of Investments Held</b>	<b>Rate of Return</b>	<b>Benchmark Return*</b>
Investments	£18,225m	5.085%	5.015%

*\*The benchmark return used is the SONIA compounded rate of 5.015%.*



8.4 **Investment Policy** – the Council’s investment policy is governed by Scottish Government investment regulations which have been implemented in the Annual Investment strategy approved by the Council on 6 March 2025. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year met with the approved strategy, and the Council had no liquidity difficulties.

#### 8.5 Current Council Investments held on 31 March 2025

Table 11

Class	Type	Start Date	Maturity Date	Counterparty	Profile	Rate	Principal £000
Deposit	MMF	01/12/17	-	Federated Prime Rate Sterling Liquidity 3		4.53%	2,400
Deposit	MMF	30/06/20	-	Aberdeen Liquidity Fund - Sterling Fund Class L-1		4.54%	6,000
<b>MMF Total</b>							<b>8,400</b>
Deposit	VNAV	27/04/23	-	Federated Sterling Cash Plus Fund GBP 3 Acc		6.10%	29.9
<b>VNAV Total</b>							<b>29.9</b>
Deposit	Variable	10/05/16	-	Bank of Scotland (Call A/c)	Variable	4.45%	5,635
<b>Call Total</b>							<b>5,635</b>
<b>Overall Total</b>							<b>14,064.9</b>

## **Section 9 Other Issues**

- 9.1 **Sources of borrowing** - Although PWLB remains a low-risk source of long-term borrowing, due to recent rate changes and the ongoing consultation with local authorities on the future of PWLB borrowing other borrowing institutions may be looked at to remove the reliance on PWLB for long term borrowing needs.
- 9.2 **Changes in risk appetite** - The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. South Ayrshire Council has a low-risk appetite and as such would look at all aspects before making any changes to the current strategy and members would be made fully aware of any such changes.
- 9.3 **IFRS 16** - The implementation of IFRS 16 bringing currently off-balance sheet leased assets onto the balance sheet has been implemented during 2024/25. Right of Use Assets (ROU) are now included in the Capital Financing requirement (CFR) figures for year end 2024-25.