

# Public Document Pack

**Argyll and Bute Council**  
Comhairle Earra-Ghàidheal Agus Bhòid

Executive Director: Douglas Hendry



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6 March 2024

## NOTICE OF MEETING

A meeting of the **AUDIT AND SCRUTINY COMMITTEE** will be held **BY MICROSOFT TEAMS** on **THURSDAY, 14 MARCH 2024 at 10:30 AM**, which you are requested to attend.

Douglas Hendry  
Executive Director

## BUSINESS

1. **APOLOGIES**
2. **DECLARATIONS OF INTEREST**
3. **MINUTE OF PREVIOUS MEETING OF THE AUDIT AND SCRUTINY COMMITTEE HELD ON 19 DECEMBER 2023** (Pages 5 - 10)

### AUDIT ITEMS

4. **INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES** (Pages 11 - 18)  
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5. **INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2023-24** (Pages 19 - 38)  
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### SCRUTINY ITEMS

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- Report by Chair of Fly-tipping Scrutiny Panel
8. **SCRUTINY - IDENTIFICATION OF A TOPIC 2024-25** (Pages 101 - 104)  
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Report by Chief Internal Auditor
  10. **REGULATION OF INVESTIGATORY POWERS (SCOTLAND) ACT 2000 (RIPSA) ANNUAL REPORT** (Pages 131 - 144)  
Report by Executive Director with responsibility for Legal and Regulatory Support
  11. **2022-23 AUDITED ANNUAL ACCOUNTS**
    - (a) 2022-23 Draft Annual Audit Report - TO FOLLOW  
Report by Mazars LLP
    - (b) 2022-23 Argyll and Bute Council - ISA 580 Letter of Representation - TO FOLLOW  
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Report by Section 95 Officer
  12. **UNAUDITED ANNUAL ACCOUNTS 2023-24** (Pages 145 - 182)  
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Report by Section 95 Officer
  14. **CORPORATE IMPROVEMENT PLAN UPDATE** (Pages 241 - 246)  
Report by Chief Executive
  15. **INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL** (Pages 247 - 274)  
Report by Chief Internal Auditor
  16. **SCRUTINY FRAMEWORK AND MANUAL ANNUAL REVIEW** (Pages 275 - 298)  
Report by Chief Internal Auditor
  17. **LOCAL GOVERNMENT IN SCOTLAND - FINANCIAL BULLETIN 2022-23** (Pages 299 - 334)  
Report by Section 95 Officer
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For noting and updating

## **Audit and Scrutiny Committee**

Martin Caldwell (Chair)

Councillor Daniel Hampsey

Councillor Reeni Kennedy-Boyle

Councillor Dougie McFadzean

Janice Wason Hall

Councillor Graham Hardie

Councillor Jim Lynch (Vice-Chair)

Councillor Andrew Vennard

Shona Barton, Governance Manager

Contact: Lynsey Innis, Senior Committee Assistant Tel: 01546 604338

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**MINUTES of MEETING of AUDIT AND SCRUTINY COMMITTEE held BY MICROSOFT TEAMS  
on TUESDAY, 19 DECEMBER 2023**

**Present:** Martin Caldwell (Chair)

Councillor Daniel Hampsey	Councillor Jim Lynch
Councillor Graham Hardie	Councillor Dougie McFadzean
Councillor Reeni Kennedy-Boyle	Councillor Andrew Vennard

**Attending:** Jane Fowler, Head of Customer Support Services  
Jim Smith, Head of Roads and Infrastructure Services  
Paul MacAskill, Chief Internal Auditor  
Shona Barton, Governance Manager  
Mhairi Weldon, Senior Audit Assistant  
Cameron Waddell, Partner, Mazars LLP  
Gregory Odour, Audit Manager, Mazars LLP

**1. APOLOGIES**

The Chair welcomed everyone to the meeting.

There were no apologies for absence intimated.

**2. DECLARATIONS OF INTEREST**

There were no declarations of interest intimated.

**3. MINUTE OF PREVIOUS MEETING OF THE AUDIT AND SCRUTINY  
COMMITTEE HELD ON 14 SEPTEMBER 2023**

The Minute of the previous meeting of the Audit and Scrutiny Committee, held on 14 September 2023 was approved as a correct record.

**4. INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES**

The Committee gave consideration to a report providing a summary of Internal Audit activity and progress during quarter three of 2023/24 against the following areas:

**Audits Completed**

- Fleet – Hire of Vehicles
- Compliance Review – Period Products
- Planning
- Pupil Registration
- Oban Airport
- Risk Management – HSCP
- Financial Management Arrangements – HSCP
- Establishment Visits x 11 – LiveArgyll

### **Audits in Planning/in Progress**

- Piers and Harbours
- Learning and Disability Care Packages
- Scottish Social Services Council (SSSC) Registration
- Pupil and Public Transport
- Freedom of Information Requests

The report also provided information on the work carried out by the Counter Fraud Team (CFT); the continuous monitoring programme and the progress of work carried out as a result of information received from the National Fraud Initiative (NFI).

### **Decision**

The Audit and Scrutiny Committee reviewed and endorsed the Summary of Activities report.

(Reference: Report by Chief Internal Auditor, dated 19 December 2023, submitted)

## **5. INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2023-24**

Consideration was given to a report which provided an update on all open actions as at 30 September 2023. The report included information on actions where the agreed implementation date had been rescheduled.

### **Decision**

The Audit and Scrutiny Committee endorsed the contents of the report.

(Reference: Report by Chief Internal Auditor, dated 19 December 2023, submitted)

## **6. INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2023/24**

Consideration was given to a report containing the action plans in relation to the following eighteen audits:-

- Fleet – Hire of Vehicles
- Compliance Review – Period Products
- Planning
- Pupil Registration
- Oban Airport
- Risk Management (HSCP)
- Financial Management Arrangements (HSCP)
- Queens Hall and Library, Dunoon (LiveArgyll)
- Riverside Leisure Centre, Dunoon (LiveArgyll)
- Helensburgh Leisure Centre (LiveArgyll)
- Helensburgh Library (LiveArgyll)
- Oban Library (LiveArgyll)
- Rothesay Leisure Pool (LiveArgyll)
- Rothesay Moat Community Education Centre (LiveArgyll)
- Aqualibrium and Library, Campbeltown (LiveArgyll)

- Campbeltown Museum (LiveArgyll)
- Victoria Halls, Helensburgh (LiveArgyll)
- Corran Halls, Oban (LiveArgyll)

### **Decision**

The Audit and Scrutiny Committee reviewed and endorsed the summary report and detail within each individual report.

(Reference: Report by Chief Internal Auditor, dated 19 December 2023, submitted)

## **7. AUDIT PROGRESS REPORT**

The Committee gave consideration to a report by Mazars which outlined the status of the 2022/23 Audit and changes to the audit approach. Mr Waddell outlined a number of issues which had resulted in a delay in the preparation of the 2022-23 Audited Annual Accounts, which included awaiting assurances on the valuation of net defined benefit liability; the treatment of assets measured under Existing Use Value, which were not revalued in 2022-23 and issues relating to third parties. The Committee expressed their disappointment at the delay in the production of the Annual Audited Accounts for 2022-23.

### **Decision**

The Audit and Scrutiny Committee noted the contents of the report.

(Reference: Report by Mazars LLP, submitted)

## **8. SCRUTINY - COMPLETION OF THE FLY TIPPING REVIEW 2023-24 AND IDENTIFICATION OF A TOPIC FOR 2024-25**

Consideration was given to a report which provided an update on the planned approach to the progress and completion of a scrutiny review in the context of the Scrutiny Manual and Framework as part of the Committee's scrutiny role for 2023-24.

Discussion was had around possible options for further areas of scrutiny going forward.

### **Decision**

The Audit and Scrutiny Committee agreed:-

1. given that only one further meeting of the original Scrutiny Panel is likely to be required to complete the "Fly-Tipping" scrutiny review to appoint Martin Caldwell to that Panel to allow it to conclude its work; and
2. that the Chief Internal Auditor brings a report to the next meeting of the Committee which will outline the possible options for Scrutiny topics and approaches in 2024/2025.

(Reference: Report by Chief Internal Auditor, dated 19 December 2023, submitted)

## **9. PERFORMANCE REPORTING UPDATE**

The Committee gave consideration to a paper which provided an update on the progress of the review of the Council's Performance Improvement Framework (PIF) that is being undertaken as part of the Performance Excellence Project. The report highlighted the works completed to date and set out the planned activities in phase two of the project.

### **Decision**

The Audit and Scrutiny Committee noted the progress of the Performance Excellence Project to date and the activities in progress for phase two of the project.

(Reference: Report by Executive Director with responsibility for Customer Support Services, dated 28 November 2023, submitted)

## **10. COUNCIL ANNUAL REPORT 2022/23**

Consideration was given to a report which presented the Council Annual Report (CAR) 2022/23.

Having noted the volume of work involved by a number of teams across the Council, the Chair took the opportunity to congratulate Customer Support Services in collating the information into a high quality document.

### **Decision**

The Audit and Scrutiny Committee noted the content of the Council Annual Report (CAR) 2022/23 and the wide-ranging examples of exceptional service delivery prior to publishing on the website and presentation to the next full Council meeting on 22 February 2024.

(Reference: Report by Chief Executive, dated 1 November 2023, submitted)

## **11. WASTE MANAGEMENT**

Having noted that, as a result of a mismatch between the level of risk identified and the assurance previously provided to Committee due to the Council being in the process of implementing a new waste strategy and the uncertainty being created by the Scottish Government's ban on landfilling Biodegradable Municipal Waste (BMW) from 2025, consideration was given to a report which provided an update on the current position in relation to the implementation of the waste strategy and advised of a detailed report which was presented to the Environment, Development and Infrastructure Committee at their meeting on 30 November 2023.

### **Decision**

The Audit and Scrutiny Committee considered and noted the content of the report.

(Reference: Report by Executive Director with responsibility for Roads and Infrastructure Services, dated November 2023, submitted)

## **12. WORKPLAN**

In order to facilitate forward planning of reports to the Audit and Scrutiny Committee, Members considered the outline Audit and Scrutiny workplan.



**Decision**

The Audit and Scrutiny Committee agreed to note the outline workplan.

(Reference: Audit and Scrutiny Workplan, dated 19 December 2023, submitted)

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**ARGYLL AND BUTE COUNCIL****AUDIT & SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**INTERNAL AUDIT AND COUNTER FRAUD SUMMARY OF ACTIVITIES**

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**1. SUMMARY**

1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with a summary of Internal Audit activity and progress during quarter four of 2023/24.

1.2 Core activities together with a progress update statement are shown below:

- **2023/24 Audit Plan progress:** The plan is on track subject to available resources being in place for the full period of the approved plan. One review relating to Building Cleaning has been postponed at the request of the service department due to resources, together with a review within the Education Service due to staff sickness and ongoing external inspections.
- **2023/24 Individual Audits undertaken:** three audits have been completed during the period, 0 have been assessed as providing high assurance, 2 substantial assurance and 1 reasonable assurance. **(Where HSCP and LiveArgyll Audits are included these are provided for information only).**
- **Scrutiny:** Planned work for 2023/24 in relation to 'Fly Tipping' has been completed following a meeting of the Scrutiny Panel in February 2024.
- **Counter Fraud:** The Counter Fraud Team (CFT) is continuing to rebill council tax accounts and recovery of funds is underway. All other aspects and referrals are being considered, investigated and evaluated and the Counter Fraud Team remain vigilant to protect our public purse. The established CFT team member is on secondment to Housing for career and personal development for a two year period. The CFT have obtained a member of staff, again on secondment for the same time period. The team lead is currently progressing through year 2 of a Master in Accountancy course.
- **Continuous Monitoring Programme Testing:** A number of auditable units are subject to continuous testing. There has been one new issue which we have identified this quarter.
- **Performance indicators:** Current status is green / on track.

**2. RECOMMENDATIONS**

2.1 To review and endorse the Summary of Activities report.

**3. DETAIL**

3.1 Three audits have been completed since the previous Committee in December 2023.

**Audits Completed**

- Piers and Harbours
- Pupil and Public Transport
- Human Resources – Casual Workers

**Audits in Planning / in Progress**

reported to a future meeting of the Committee

- Client Funds – work in progress
- Learning and Disability Care Packages – Awaiting management comments
- Financial Ledger – field work completed - draft report being prepared
- Scottish Social Services Council (SSSC) Registration – work in progress
- Freedom of Information Requests – work in progress
- Cloud Based Computer Services – Terms of Reference issued

3.2 In addition to those already in progress, indicative audits planned for 2023/24 are:

- Stores – year-end

**3.3 2023/24 Audit Plan**

- Work is progressing on the approved plan and outlined in paragraphs 3.1 – 3.2.
- A request has been made by senior management to postpone the planned review on Building Cleaning and similarly a review within the Education service due to staff sickness and external inspections which are ongoing. We will consider these areas in future plans and would note this as an amendment to the current Plan for 2023/24.

**Scrutiny**

3.4 It was agreed in June 2023 that scrutiny work for 2023/24 will focus on the outstanding review concerning 'Fly Tipping'. Work had previously been postponed until data became available to the Panel. Discussions have been ongoing with staff within the Council to ensure data was made available in January for further analysis and consideration at a meeting of the Panel to conclude on this review. In February 2024 the Scrutiny Panel met, along with staff responsible for this area of activity within the Council. An updated and final report has been prepared for consideration by the Audit and Scrutiny Committee.

## Counter Fraud

- 3.5 The CFT is progressing well with both team members fully CIPFA accredited fraud investigators. The current investigator has taken on a 2 year secondment to empty homes for further skills development. The investigators post was filled again on a secondment basis. The new member of staff will undertake the above CIPFA accreditation and is booked onto this course commencing in the latter half of 2024.

Both team members will revert to substantive post circa sept 2025.

Continued routine work is still progressing to accurately track the full income recovered from the team's work, however, based on the amount of additional billing, even accounting for a degree of non-recovery, the indications are that the team are still exceeding their target. In addition, the team are raising awareness of the Council's zero tolerance to fraud and this will help act as a deterrent to fraud being perpetrated in the first place.

The team aimed to visit Mull, however, due to the cross over with staff this has yet to take place. The proactive aim is to gather any new evidence or any further investigative requirements and will be diarised for a visit during 2024. In addition, the lead investigator has been out to Tarbert and the team lead out to Tighnabruich recently.

A large review of the Helensburgh area is underway and due to the size of the area, this review is ongoing and continues to be labour intensive and will continue in summer 2024 due to other operational demands.

The team now have an established referral system in place from council tax teams and the CFT have already liaised with this team going forward into 2024 for the review of the second and holiday home tax changes. The information already shared in the short space of time has resulted in rebilling and adjustments of accounts. Together we aim to keep accurate records and update accounts where error or missing information is held. This approach will continue as the method of collaborative and interdepartmental working has been helpful.

The CFT continue to work closely with the empty homes team to support each other in our remits. Work and communication between each department is key in identifying and finding appropriate solutions to enable empty homes to return to residency or open market.

The NFI exercise continues to be a routine work area for the CFT. New data from HMRC has been uploaded and teams have been requested to match this data. The team lead will progress this into 2024 and have this whole exercise closed in due course.

Since the inception of the CFT a total of £1,039,939 has been rebilled and £777,453 has been recovered. A recovery percentage of 74.7% has been achieved at the last review of the figures.

### Additional Updates from Quarter Four

- 3.6 Staff continue to work from home or on a hybrid approach and this has proved to be successful, where on-site visits have been required due to the specific nature of the audit work to be undertaken, these visits have occurred in accordance with any guidance that was in place, including lone worker best practice.
- 3.7 Work has been completed in the preparation of the draft Internal Audit Plan for 2024/25. The draft plan has been considered by the relevant Department Management Teams (DMT) and approved. We have also engaged with the Audit and Scrutiny Committee as part of this process and have been able to include one of the suggestions based on 'risk' and corporate alignment into the draft plan and offered our appointed External Auditors the opportunity to comment on the draft plan. This draft plan will be presented to the Audit and scrutiny Committee in March for its consideration.
- 3.8 As part of our work for the HSCP, audit plans for 2024/25 and indicative plans covering 2025/26 and 2026/27 have also been prepared for presentation to the Audit and Risk Committee of the HSCP. We have again, consulted with senior managers of the HSCP in the preparation of this plan and have been approved so these will be in place before the start of the new financial year.
- 3.9 Internal Audit have been liaising with our colleagues in IT where we have been closely monitoring the cyber incident at Comhairle nan Eilean Siar (Western Isles Council) in order to glean any areas for learning or consideration. This incident has had a significant effect on the Western Isles Council including, as reported, unavailability to access their 'back-up' data. It also highlight the threats and potential effects such incidents can have on public bodies and will continue to monitor this incident for any learning and/or risk mitigation purposes.

### Continuous Monitoring

- 3.10 Our continuous monitoring programme is generally focused on transactional type activity. Standard audit tests are applied which are relevant to each auditable unit. Control design tests look at whether the controls in place adequately address the potential risk event. There has been one new finding within the quarter that require to be reported.

**Table 2: Continuous Monitoring Findings**

<b>Auditable Area</b>	<b>Areas Tested</b>	<b>Issues Identified</b>	<b>Management comment / action</b>
Travel Expenses	VAT Receipts	VAT invoices or receipts were not attached to claims in two instances.	Management will ensure that an appropriate invoice or receipt is attached in future.

- 3.11 A follow up process is in place whereby management are advised of continuous monitoring findings and, where appropriate, requested to take remedial action. There are currently no outstanding follow-up points arising from previous testing. Due to the volume of continuous monitoring tests carried out the decision was made to report by exception only.

## National Reports

- 3.12 A follow up process for national reports is in place whereby management are advised of national reports published and asked to confirm what, if any, action is planned as a result of the report. Table 2 details the national reports issued during quarter three/four 2023/24 and due to be reported in quarter four 2023/24.

**Table 3: National Reports**

National Report	Issued To	Detail	Management response/ Action taken
Adult Mental Health	IJB Chief Officer & Head of Acute and Complex Care	Accessing adult mental health services in Scotland remains slow and complicated for many people. In particular, ethnic minority groups, people living in rural areas and those in poverty all face additional barriers.	This report raises a number of challenges for which an action plan has been prepared.
Local Government in Scotland – Financial bulletin 2022/23	Executive Director Kirsty Flanagan	Financial pressures push councils to make hard decisions about service cuts.  Frank discussions are needed with local communities about the future of council services. Difficult decisions will need to be made. While councils received more money in total (from the Scottish Government, Council Tax and other sources) in 2022/23 than in the previous year, councils had less money to spend in real terms.	No specific actions arising from this report.

## National Fraud Initiative (NFI)

- 3.13 NFI data matching involves comparing computer records held by one body against other computer records held by the same or another body to identify potentially fraudulent claims and payments to be identified. Note though that the inclusion of personal data within a data matching exercise does not mean that any specific individual is under suspicion. Where a match is found it indicates that there may be an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is

carried out. A reminder process is in place to ensure that matches are reviewed on a timely basis. NFI have provided new data throughout 2023/24 and these have been matched and closed.

- 3.14 The current NFI exercise has been released after some technical delays from the Cabinet Office. This exercise is conducted throughout the year by officers and matches checked and closed accordingly. NFI provided additional data releases over the course of the exercise and matches are addressed when these become available. The current NFI matches are detailed below. The CFT are reviewing the information received from the NFI matching service, work has commenced to follow these up locally. Existing users have been reviewed and new users added where requested, all users have been informed that matches are available for review and progress will be monitored monthly by the Counter Fraud team and reported quarterly to the Audit and Scrutiny Committee.

New HMRC data has been uploaded and released back to us, and teams have been contacted to start matching this data.

**Table 4: National Fraud Initiative Progress at 11/02/2024**

Operational Area	Total Matches	Recommended/Very High / High/Medium Risk Matches	Matches Complete	* WIP	Match Description
CT to Elect Register	2155	0	2155	0	CT records to Electoral Register/ other data sets to ensure discount awarded to only those living alone aged over 18, taking into account disregarded occupants. (CT to other Datasets will not be progressed further due to poor quality data)
CT rising 18s	402	0	402	0	
Housing Benefits	21	15	19	0	HB records to records in other authorities / other datasets including student loans, payroll and pensions to identify undeclared income and capital.
Payroll	143	2	2	0	Payroll records to other datasets including other payrolls and pensions to ensure employee is not receiving additional income.
Blue Badges	238	205	227	0	Blue badge records to DWP data to identify deceased claimant with valid badge.
Housing Waiting list	233	214	206	1	Housing waiting list records to other organisations HBCTR and tenant data to identify undisclosed changes in circs or false info.
Council Tax Reduction	307	233	278	0	CTR records with records in other authorities / other datasets including; student loans, payroll and pensions to identify undeclared income and capital
Creditors	589	0	26	0	Analyses Creditors data to identify possible duplicate vendors and payments, VAT



					errors or fraud and multiple vendors sharing a bank account.
Procurement	38	0	36	0	Payroll records to Companies House and creditors' data to identify employees who appear to have a personal interest in a company that the authority has traded with.

\* Work in Progress

#### Overall Summary of Matches

Matches Complete	Work In Progress	Cleared	Frauds	Errors	Total Value £	Recovering	Recovering Value £
3351	1	3258	0	93	0	0	0

### Internal Audit Development

3.15 The table below details progress against the action points in our Internal Audit development plan.

**Table 5: Internal Audit Development Key Actions: updated 15/02/24**

Area For Improvement	Agreed Action	Progress Update	Timescale
Review Continuous Monitoring Programme	Continuous monitoring tests will be reviewed following audit of Debt recovery to assess value of existing tests carried out.  Consider adding test to review date taken to process invoices from date of receipt within the Council (not at Creditors)	In progress	June 2024
Update Internal Audit Manual in include evaluation of internal audit reports against the Local Government (Scotland) Act 1973 exemption criteria.	Add paragraph to the IA Manual to evaluate whether reports being submitted to committee should be considered for exemption under the <a href="#">Local Government (Scotland) Act 1973</a> .	Completed and included in update report to Audit and Scrutiny Committee in March 2024.	March 2024

3.16 Internal Audit scorecard data provided below are aligned to those for internal audit in the Financial Services service plan. All indicators are shown as currently being on track.

**Table 6: Internal Audit Team Scorecard**

<b>Internal Audit Team Scorecard 2023– 24 – FQ3 23/24 (as at December 2023)</b>			
<b>BO115 We Are Efficient And Cost Effective</b>			
Internal Audit Level of Satisfaction	Actual	92%	G ↑
	Target	80%	
Review of Strategic Risk register	Status	On Track	G →
	Target	On Track	
Percentage of audit plan completed	Status	100%	G →
	Target	100%	
Percentage of audit recommendations accepted by management	Actual	100%	G →
	Target	100%	

#### **4 CONCLUSION**

- 4.1 The 2023/24 audit plan is on track and the Counter Fraud Team is continuing with visits and pro-active work throughout Argyll and Bute.

#### **5 IMPLICATIONS**

- 5.1 Policy – Internal Audit continues to adopt a risk based approach to activity  
5.2 Financial –None  
5.3 Legal –None  
5.4 HR – None  
5.5 Fairer Scotland Duty – None  
5.5.1 Equalities – protected characteristics – None  
5.5.2 Socio-Economic Duty – None  
5.5.3 Islands – None  
5.6 Climate Change – None  
5.7 Risk – None  
5.8 Customer Service – None  
5.9 The Rights of the Child (UNCRC) – None

For further information please contact Internal Audit (01546 604108)

**Paul Macaskill**

**Chief Internal Auditor**

**14 March 2024**

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 March 2024**

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**INTERNAL AND EXTERNAL AUDIT REPORT FOLLOW UP 2023-24**

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**1.0 INTRODUCTION**

- 1.1 Internal and external audit reports include an action plan with a management response establishing the agreed action, timescale and responsible officer. Internal Audit record these in a database and, on a quarterly basis, follow them up to ensure they are being progressed.
- 1.2 This report updates the committee on all open actions as at 31 December 2023 including information on actions where the agreed implementation date has been rescheduled.

**2.0 RECOMMENDATIONS**

- 2.1 To endorse the contents of the report.

**3.0 DETAIL**

- 3.1 The two tables below provide a numerical summary of open audit actions with a split between actions due by and due after 31 December 2023.
- 3.2 Appendix 1 provides further detail on actions that have either been completed but no evidence provided to verify completion, delayed and rescheduled or delayed but not rescheduled.

Table 1 - Actions Due by 31 December 2023

Service	Complete	Delayed/ Rescheduled	Delayed NOT rescheduled	Evidence Required	Total
<b>Internal Audit</b>					
DH – Commercial Services	0	1	0	0	1
DH – Education Performance & Improvement	2	1	0	0	3
DH – Legal & Regulatory Support	0	4	0	0	4
KF – Customer Support Services	3	6	0	0	9
KF – Development & Economic Growth	2	3	0	0	5
KF – Financial Services	10	13	1	1	25
KF – Roads & Infrastructure Services	6	0	0	0	6
H&SCP (IJB) - Adult Services (Older Adults & Community Hospitals)	3	0	0	0	3
H&SCP (IJB) – Finance & Transformation	1	0	0	0	1
H&SCP (IJB) – Strategic Planning & Performance	0	1	0	0	1
H&SCP (SW) – Adult Services (Mental Health Learning Disability, Addictions & Lifelong Conditions)	1	4	0	0	5
<b>External Audit</b>					
Nil					
<b>TOTAL</b>	<b>28</b>	<b>33</b>	<b>1</b>	<b>1</b>	<b>63</b>

Table 2 - Actions due after 31 December 2023

SMT/Service	Complete	Delayed/ Rescheduled	No Response	On Course	Evidence Required	Total
<b>Internal Audit</b>						
DH – Commercial Services	0	0	0	10	0	10
DH – Education Performance & Improvement	0	1	0	0	0	1
DH – Legal & Regulatory Support	0	0	0	1	0	1
KF – Customer Support Services	0	0	0	1	0	1
KF – Development & Economic Growth	0	1	0	3	0	4
KF – Financial Services	1	1	0	6	0	8
KF – Roads & Infrastructure Services	0	0	0	8	0	8
H&SCP (IJB) – Finance & Transformation	0	0	0	2	0	2
H&SCP (IJB) – Strategic Planning & Performance	0	0	0	1	0	1
H&SCP (SW) – Finance & Transformation	0	0	0	2	0	2
<b>External Audit</b>						
Nil						
<b>TOTAL</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>34</b>	<b>0</b>	<b>38</b>

#### 4.0 CONCLUSION

4.1 Progress continues to be made implementing audit actions.

#### 5.0 IMPLICATIONS

5.1	Policy – None
5.2	Financial – None
5.3	Legal – None
5.4	HR – None
5.5	Fairer Scotland Duty – None
5.5.1	Equalities – protected characteristics – None
5.5.2	Socio-economic Duty – None
5.5.3	Islands – None
5.6	Climate Change – None
5.7	Risk – None
5.8	Customer Service – None
5.9	The Rights of the Child (UNCRC) – None

**Paul MacAskill**  
**Chief Internal Auditor**  
**14 March 2024**

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#### **APPENDICES**

Appendix 1 – Action Plan Points Delayed & Rescheduled, Delayed and NOT rescheduled and Evidence Required

## Appendix 1 - Action Plan Points Delayed & Rescheduled/Evidence Required

### Action Plan Points Due by 31 December 2023

Service, Report, Plan no. & Finding		Agreed Action	Dates	Comment	Responsible Officer
<b>VFM</b>	<p><b>COMMERCIAL SERVICES</b> <b>Climate Change Act</b></p> <p>4. Emissions Targets The Council has the ambition of becoming the UK's first net zero region and has set targets for achieving net zero emissions. The targets have been published within the Decarbonisation Plan, however only the overarching target to achieve net zero by 2045 is displayed on the Council's website.</p>	Develop and issue communications related to regional net zero ambition as Community Planning Partnership Plans confirmed.	30/07/2023 30/09/2023 31/12/2023 <b>01 Apr 2024</b>	Develop and issue communications related to regional net zero ambition as Community Planning Partnership Plans confirmed. New post holder establishing work programme.  <b>Delayed and Rescheduled</b>	Senior Communication Officer Communication Officer for Climate Change Board Head of Commercial Services
<b>Low</b>	<p><b>EDUCATION PERFORMANCE &amp; IMPROVEMENT</b> <b>PUPIL REGISTRATION</b></p> <p>1. Education Management Circulars (EMC) EMC No. 3.01 and 3.07 documents take cognisance of relevant legislation, but have not been updated since 2018 and do not reflect the current digitalised working practices. They are currently being revised to reflect legislative changes effective from August 2023 which provides access to an additional year of ELC for eligible children.</p>	Update key documents and guidance to reflect current working practices.	30/11/2023 <b>31 Mar 2024</b>	Management circulars have been reviewed and are with legal at the moment for review, these are due to go to JSC in February for sign off.  <b>Delayed and Rescheduled</b>	School Support Manager
<b>Medium</b>	<p><b>LEGAL &amp; REGULATORY SUPPORT</b> <b>Purchase Cards</b></p> <p>1. Supplementary Guidance Supplementary guidance was issued to all purchase cardholders, delegates and authorisers in October 2022. Of the 109 responses received from the survey undertaken, 70 said they had received the guidance and 32 said they had not or were unaware. Of the 86 cardholders surveyed, 41</p>	The supplementary guidance will be reissued to all cardholders, delegates and authorisers after it has been updated by PCCMT – per action point 10 on report.	31/12/2023 <b>31 Mar 2024</b>	Creditors can't issue email until PCCMT have updated the guidance notes -Action Point 7 PCCMT - Amended date due to capacity within the team to complete the tasks. 2 vacancies now filled and actions will be completed by end of financial year.	Creditors Supervisor

Service, Report, Plan no. & Finding		Agreed Action	Dates	Comment	Responsible Officer
	indicated that they do not refer to the guidance when planning a purchase.			<b>Delayed and Rescheduled</b>	
Medium	<p><b>LEGAL &amp; REGULATORY SUPPORT</b> <b>Purchase Cards</b></p> <p>2. Procurement Manual Within the Procurement Manual purchase cards are not listed as a supplementary guidance note to be followed.</p>	Guidance note to be added to Manual by PCCMT.	31/12/2023 <b>31 Mar 2024</b>	<p>Amended date due to capacity within the team to complete the tasks. 2 vacancies now filled and actions will be completed by end of financial year.</p> <p><b>Delayed and Rescheduled</b></p>	PCCMT Manager
Medium	<p><b>LEGAL &amp; REGULATORY SUPPORT</b> <b>Purchase Cards</b></p> <p>7. Procurement Processes There is evidence that some purchases are made which do not follow Council procurement guidelines. A search of PECOS found that of 27 transaction recorded, 18 of these were retrospective orders. In addition, 28 transactions could not be found, 9 invoices were valued between £1,000 and £3,000 with no evidence of engagement with the procurement team.</p>	As per action point 10 on the report, the PCCMT will update the purchase card supplementary guidance.	31/12/2023 <b>31 Mar 2024</b>	<p>Amended date due to capacity within the team to complete the tasks. 2 vacancies now filled and actions will be completed by end of financial year.</p> <p><b>Delayed and Rescheduled</b></p>	PCCMT Manager
Low	<p><b>LEGAL &amp; REGULATORY SUPPORT</b> <b>Purchase Cards</b></p> <p>11. Internet Use of Purchase Cards During the review we identified instances where spend has been incurred for Council purposes via EBay and PayPal.</p>	The PCCMT will update the purchase card supplementary guidance, which will be reissued to all cardholders, delegates and authorisers as per action plan 1 and 10 on report.	31/12/2023 <b>31 Mar 2024</b>	<p>Amended date due to capacity within the team to complete the tasks. 2 vacancies now filled and actions will be completed by end of financial year.</p> <p><b>Delayed and Rescheduled</b></p>	PCCMT Manager
Low	<p><b>LEGAL &amp; REGULATORY SUPPORT</b> <b>Purchase Cards</b></p> <p>12. High Volume/Value use of Purchase Card Interpretation of the transactional data highlighted</p>	The PCCMT will monitor the purchase card transaction list and work with staff where multiple orders are placed. A reminder will be issued in the	31/12/2023 <b>31 Mar 2024</b>	Amended date due to capacity within the team to complete the tasks. 2 vacancies now filled and actions will be completed by end of financial year.	PCCMT Manager

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>that in the 3 month period January to March 2023, one Budget Holder within Education, was the second highest user of a purchase card in terms of both number of transactions and volume of spend with a total of 367 transactions amounting to the value of £33,569.</p>	<p>monthly newsletter issued by EPT.</p>		<p><b>Delayed and Rescheduled</b></p>	
<p><b>CUSTOMER SUPPORT SERVICES</b> <b>Customer Service Centre</b></p> <p>3. Performance Indicators Information gathered using the Avoidable and Non Avoidable categories do not match real time concerns or trends identified by staff regarding arising issues as these are lagging indicators. Customer Service Centre should, with Services, review the definitions of the Avoidable and Non Avoidable Contacts with a view to gathering actionable data on the volume of repeat contacts due to lack of follow up, availability of information and establishing whether there is an issue with customers being unable to reach staff who have been named as a key contacts.</p>	<p>Provided by key officer 1. CET will engage with Service Leads to review Avoidable Contact measures and reporting. 2. CET will send a report with Improvement Recommendations to DMT and ELT for approval by July 2023.</p>	<p>31/07/2023 30/09/2023 31/12/2023 <b>31 Mar 2024</b></p>	<p>Customer Service Strategy Consultation period for inputs was extended to 15/01/24. Consultation is now closed and report on its outcomes and final CS Strategy, Charter and Action Plan will go to DMT on 29/01/24 and then to SMT and Council in February. If approved the Action Plan task re review of Avoidable Contacts will be managed through that Plan tracker.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Customer Engagement Manager</p>
<p><b>CUSTOMER SUPPORT SERVICES</b> <b>Customer Service Centre</b></p> <p>4. The Customer Service Standard Charter The Charter does not reflect all the channels now available to customers to raise initial enquiries. The Charter is currently being reviewed based on consultation with the public after the pandemic and will be updated to reflect the results and to take account of other key Council Strategies including the Digital Strategy and Customer Service</p>	<p>Provided by key officer 1. CET will consult customers on Charter Standards as part of the survey informing the new Customer Service Strategy. 2. CET will include proposals for a revised Customer Service Charter in the Customer Service Strategy to be approved by ELT and SMT.</p>	<p>31/10/2023 31/12/2023 <b>31 Mar 2024</b></p>	<p>New Customer Charter formed part of the Customer Service Strategy Consultation that closed on 15/01/24 - there was a specific set of questions on the Charter. Paper detailing outcomes of the consultation and Final Charter and Strategy will be sent to DMT on 20/01/24 and then to SMT and Council in February with a view to launching the new Charter in</p>	<p>Customer Engagement Manager</p>

Low

Low



Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
Medium	Strategy. to be updated to reflect the updated performance standards		April 24.  <b>Delayed and Rescheduled</b>	
Medium	<p><b>CUSTOMER SUPPORT SERVICES Cyber Security</b></p> <p>2. Cyber Security Policy Finding: The Council has a comprehensive ICT and Digital Strategy in place including a section on “Secure and compliant infrastructure”. This section makes reference to a Cyber Security Policy but this has not yet been completed. Recommendation: The Cyber Security Policy should be completed, approved and published on the Council’s intranet site for Elected Member and employee reference.</p>	Our security policy will be updated and published. From a security perspective it is considered best practice to publish for restricted internal use only.	31/10/2023 <b>29 Feb 2024</b>  New draft policy presented to ITMT but not accepted. Revised policy will be further reviewed by ITMT at January 2024 meeting.  <b>Delayed and Rescheduled</b>	ICT Compliance and Security Officer
Medium	<p><b>CUSTOMER SUPPORT SERVICES Cyber Security</b></p> <p>3. Cyber Security &amp; Cyber Incident Management Resourcing Finding: An Incident Response Team has been identified and recorded on the Cyber Incident Response Plan with each officer responsible for their own areas of expertise, there is no depute appointed to manage an incident response should the ICT-CSO be unavailable. Finding: The Council has one full-time officer (ICT-CSO) with responsibility for cyber security as part of their remit, other local authorities have small teams in place to manage cyber security alone indicating that the Council may be under-resourced in this area.</p>	The level of resource allocated to manage the Council’s cyber security requirements will be reviewed and a report submitted to DMT.	31/10/2023 <b>29 Feb 2024</b>  Report delayed due to issues gathering research information. Report now due to be submitted to January ITMT and DMT thereafter.  <b>Delayed and Rescheduled</b>	ICT and Digital Manager

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>Finding: There is currently no opportunity for career advancement for a cybersecurity professional within the Council, however, management roles in ICT all have a requirement for cyber security knowledge and understanding. Recommendation: The level of resource allocated to manage the Council's cyber security requirements should be reviewed.</p>				
<p><b>CUSTOMER SUPPORT SERVICES Equality and Socio-Economic Impact Assessment</b></p> <p>3. Overview of EqSEIA There is no oversight at a central level to ensure that budget papers, policy documents or strategy changes or any other documents that an EqSEIA is attached where required.</p>	<p>Proposal brought to DMTs/SMT on options for an oversight process.</p>	<p>30/09/2023 30/10/2023 <b>30 Jun 2024</b></p>	<p>Report went to D&amp;I DMT 18th December. Will go to Customer Service's DMT on 29th January and then on to SMT for sign off.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Head of Customer Support Services</p>
<p><b>CUSTOMER SUPPORT SERVICES Equality and Socio-Economic Impact Assessment</b></p> <p>4. Training EqSEIA guidance was issued to employees via a newsflash and presentations were made to managers, including a presentation on EqSEIA and for budget setting savings.</p>	<p>Webinars and presentations on EqSEIAs will be run at key times in the year</p>	<p>31/12/2023 <b>31 Jul 2024</b></p>	<p>Course is in development but on hold until inclusion of Children Rights and Wellbeing Impact Assessments can be included. Sessions will be planned following inclusion of these providing an opportunity to launch the new element and provide a reminder about the existing requirements and process at the same time.</p> <p><b>Delayed and Rescheduled</b></p>	<p>HROD Manager</p>
<p><b>DEVELOPMENT &amp; ECONOMIC GROWTH PLANNING</b></p> <p>1. Staff Training</p>	<p>Once the incorporation of the IDOX project is completed a training schedule will be introduced covering both the</p>	<p>31/12/2023 <b>30 Sep 2024</b></p>	<p>Linked to the IDOX DMS project which is currently on hold. The holdup is a matter out with DM control and relies on a fix from</p>	<p>Process and Productivity Improvement Officer</p>

Service, Report, Plan no. & Finding		Agreed Action	Dates	Comment	Responsible Officer
	Planning do not currently have in place a training schedule for 2023/24 for planning officers.	new system and other relevant areas such as the National planning for framework 4.		IDOX, hence rescheduled for 30th September 2024.  <b>Delayed and Rescheduled</b>	
Low	<b>DEVELOPMENT &amp; ECONOMIC GROWTH PLANNING</b>  3. Customer Charter Planning have in place a customer charter, however it was last reviewed in 2012 and requires to be updated as it does not reflect current practice.	The framework document for 2022/23 stated “A review and update of the Development Management Customer Service Charter will also be undertaken during 2023/24.”	31/12/2023 <b>31 Mar 2024</b>	Rescheduled to 31st March 2024 to reflect the commitment set out in the PPF.  <b>Delayed and Rescheduled</b>	Development Manager
Low	<b>DEVELOPMENT &amp; ECONOMIC GROWTH PLANNING</b>  4. Service level Customer User Forums Customer User Forums have previously been held regularly however currently customer forums are not being undertaken.	The Planning Performance Framework for 2022/23 states that “it is intended to reinstate Service level Customer User Forums during 2023/24”.	31/12/2023 <b>31 Mar 2024</b>	Re-scheduled to 31st March 2024, this also reflects the commitment set out in the PPF.  <b>Delayed and Rescheduled</b>	Development Manager
Medium	<b>FINANCIAL SERVICES CAPITAL MONITORING</b>  1. Capital Programme Planning & Management Guide The Council’s Capital Guide has not been revised since 2018 and requires a review to ensure it reflects current working practices and provides appropriate support to officers involved in the capital monitoring process. The Council is currently developing a new Capital Strategy which is to be presented to the Policy and Resources Committee in August 2021 and we recognise that a review of the Guide should be conducted after the Strategy	Capital Planning and Management Guide to be updated once the Capital Strategy has been approved to ensure the two are aligned and provide clarity.	31/03/2022 30/09/2022 31/12/2022 31/03/2023 30/09/2023 31/12/2023 <b>31 Mar 2024</b>	The Guide has been updated but requires consultation with the Head of Commercial Services as it has a lot of duplication with the new Capital Investment Strategy and it may be possible to streamline this guide.  <b>Delayed and Rescheduled</b>	Head of Commercial Services/Finance Manager

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>has been finalised to ensure the two documents complement each other and. The Guide could also benefit from being linked to, or referencing, other relevant Council processes, in particular the Project Management section on the Hub.</p>				
<p><b>FINANCIAL SERVICES MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>1. Corporate Debt Policy The Document has not been updated since 2017 and does not reflect the current Council Organisational Structure nor current working practices.</p>	<p>The Revenues and Benefits Manager will review the Corporate Debt Recovery Policy and submit it to a working group led by the Head of Legal Services reviewing the Sundry Debt process for consultation. The final document will proceed to October P&amp;R via the Head of Financial Services and Executive Director Kirsty Flanagan's DMT.</p>	<p>31/12/2023 <b>31 May 2024</b></p>	<p>Delayed due to issues being discussed with the system supplier around the key point on charging interest on commercial debt. Ongoing partnership work to develop the new policy. Proposal to have first draft completed by 8 February and to invite partner organisations to comment on the draft at Financial Inclusion and Advice group on 13 February. Comments to be considered and responded to in March before a paper with the proposed new policy is prepared and submitted to P&amp;R for approval in May 2024.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Revenues and Benefits Manager</p>
<p><b>FINANCIAL SERVICES MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>4. Finding: The Debtors Procedure manual states that the Revenues and Benefits Manager will have oversight of the accounts to be written off, this is not current working practice Recommendation: Consideration should be given to introducing this overview.</p>	<p>A thorough review of Sundry Debt write-off procedure to be carried out by the working group as part of the overall update of the Sundry Debt Procedures. Reporting and communication with stakeholders is being reviewed by the working group. It is</p>	<p>31/12/2023 <b>31 Mar 2024</b></p>	<p>New write-off procedure has been developed and the Revenues and Benefits Manager will review Sundry Debt write-off as part of that process. No actual write-off has been submitted using the new process as yet, this will happen in Quarter 4 of 2023/2024.</p>	<p>Revenues and Benefits Manager</p>

Medium

Medium

Medium

	Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
		<p>anticipated that reports of debt written off will be sent to departments as part of a standard suite of reporting for discussions at quarterly meetings this will be confirmed within the reviewed Sundry Debt Procedure Manual.</p>		<p><b>Delayed and Rescheduled</b></p>	
<p style="text-align: center;"><b>Medium</b></p>	<p><b>FINANCIAL SERVICES MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>5. Finding: There is insufficient evidence to determine whether all Services receive details of invoices being written off. Recommendation: Services should be sent this information.</p>	<p>A thorough review of Sundry Debt write-off procedure to be carried out by the working group as part of the overall update of the Sundry Debt Procedures. Reporting and communication with stakeholders is being reviewed by the working group. It is anticipated that reports of debt written off will be sent to departments as part of a standard suite of reporting for discussions at quarterly meetings this will be confirmed within the reviewed Sundry Debt Procedure Manual.</p>	<p>31/12/2023 <b>31 Mar 2024</b></p>	<p>See above comment for Action 4 - new process has been developed and will be followed in Q4 2023/2024.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Revenues and Benefits Manager</p>
<p style="text-align: center;"><b>Medium</b></p>	<p><b>FINANCIAL SERVICES MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>6. Finding: While there is a pdf version of the authorisation and the spreadsheets containing the individual invoices, there are concerns that different sources of data are used during the write off process as there is more than one version of the write off spreadsheet.</p>	<p>There must only be one version of the write-off spreadsheet. This can be shared between Finance and Legal Services on MS Teams. Changes can be made to the document by Legal or Finance before it is presented to senior</p>	<p>31/12/2023 <b>31 Mar 2024</b></p>	<p>New process has been agreed, however no write-off process has been actioned recently due to the scale of the changes being brought into the process by Finance working with Legal Services so can't evidence the changes yet. Delay the completion until March 2024.</p>	<p>Revenues and Benefits Manager</p>

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>Recommendation: Checks should be carried out to ensure that Original Data is retained with records kept of any alteration to the Source Data.</p>	<p>management for final consideration.</p>		<p><b>Delayed and Rescheduled</b></p>	
<p><b>FINANCIAL SERVICES</b> <b>MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>7. Finding: The Debtors Procedure Manual does not mention that the keying of the Sundry Debtors Write Offs has two separate stages - first is the creating and approving of invoices as written off on the Debtors system and second is the manual journals to be processed to account for the VAT element of the invoices written off. The journal processed in February did not contain all of the invoices that had been written off. This caused a difference in the debtors' element of the VAT return. While this was a small value it raises concerns as to whether there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values.</p> <p>Recommendation: Checks should be carried to ensure that there is appropriate monitoring and oversight of the balancing of the write off, back to the authorised invoices and values. The Debtors Procedure Manual should be updated to reflect all stages of the write off.</p>	<p>This can be added to the revision of the procedure manual which will be finalised in December 2023. NDR and Income Manager will ensure the write-offs in the Debtors system are fully reconciled with the general ledger position each quarter.</p>	<p>31/12/2023 <b>31 May 2024</b></p>	<p>To be incorporated into the new Corporate Debt Policy going to P&amp;R in May 2024.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Revenues and Benefits Manager</p>
<p><b>FINANCIAL SERVICES</b> <b>MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>9. Raising of invoices and Recovery Routes Finding: There are only two templates for the issuing of invoices and reminders, Argyll General and Argyll CS, but there are seven different</p>	<p>Recovery Routes to be reviewed by working group. Rationalised where possible. A process will be put in place whereby new recovery routes should be signed off by senior</p>	<p>31/10/2023 <b>31 Mar 2024</b></p>	<p>Full review of recovery routes will be completed in March 2024, new process will be in place as part of that and the stated terms on the new invoices will match the updated recovery routes.</p>	<p>NDR &amp; Income Manager</p>

	Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
	<p>recovery routes. This is used for all invoices regardless of the recovery routes. The issue with this is that the recovery route timescales built into the system do not always match that detailed on the standard templates for invoices, reminders and final reminders.</p> <p>Recommendation: In consultation with Legal Services a review should be undertaken to ensure the stated terms and conditions match the recovery routes and reflecting the appropriate consequences for not paying.</p>	<p>officers in Finance and in Legal Services in the future.</p>		<p><b>Delayed and Rescheduled</b></p>	
<p style="text-align: center;"><b>Medium</b></p>	<p><b>FINANCIAL SERVICES</b> <b>MANAGEMENT OF DEBT/DEBT RECOVERY</b></p> <p>13. Finding: The value of debt currently being managed by Legal Services is not accurately quantifiable. The Passed to Legal is the final stage on the Debtors system but not all invoices are moved to this stage e.g. Community Services Invoices Not all debtors are managed by Legal Services (e.g. Commercial Waste issued and managed by Roads and Infrastructure Business Support Team and the Income Maximisation Team in Finance) Invoices are raised using Civica Debtors system which does not interface with the Iken System used by Legal Services</p> <p>Recommendation: Consideration should be given to whether it is practical/ cost effective to add other stages to the Debtors system e.g. Legal Letter 1 or Passed to Sheriff etc.</p>	<p>The ongoing work of the working group will examine the possibilities of adding legal recovery stages to the Sundry Debt system. NDR &amp; Income Manager to implement new recovery stages.</p>	<p>31/12/2023 <b>31 Mar 2024</b></p>	<p>Delayed due to the scale of the changes being made to the process and delays in engagement with system supplier.</p> <p>Recovery routes will be reviewed and refreshed by the end of March 2024 and the invoices and reminders and legal letters will be added to the system at that stage.</p> <p><b>Delayed and Rescheduled</b></p>	<p>NDR &amp; Income Manager</p>
<p style="text-align: center;"><b>Low</b></p>	<p><b>FINANCIAL SERVICES</b> <b>Management of Debt/Debt Recovery</b></p> <p>15. Housing Benefits Procedures</p>	<p>Revision of HBOP recovery procedures to be updated and the write-off procedure updated to reflect the fact that if there is movement in the</p>	<p>31/12/2023 <b>31 Mar 2024</b></p>	<p>Will be completed with the other write-off related tasks by the end of March 2024. Delayed due to all other sundry debt process changes.</p>	<p>Corporate Debt Recovery Team Leader</p>

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>Findings: The Housing Benefit procedures, while comprehensive, are being updated by the Corporate Debt Recovery Team Leader to reflect the revised working practices. This process has not been prioritised due to staffing issues.  Recommendation: Complete the revision of the Housing Benefits Procedures  Finding: The HBOP write off original data is not maintained.  Recommendation: Either the original spreadsheet is printed to pdf when being passed for authorisation or the original data tab be copied to a new tab titled Keyed.</p>	<p>amount of debt to be written off during the period that the write-off is being considered by senior management the these individual debts will be removed from the current write-off process, have their circumstances reviewed and be reconsidered for write-off in a future quarter. However if the reason for the change is that a debtor has started to pay then the expectation is that the debt will not be presented for write-off in the near future. If the reason for the change is a backdated adjustment to benefit entitlement then this could possibly be represented to the Executive Director in future write-off if the reason for the write-off action remains unchanged. Whatever the circumstances the individual debt will be removed from the existing write-off exercise and reviewed before the appropriate course of action is taken.</p>		<p><b>Delayed and Rescheduled</b></p>	
<p><b>FINANCIAL SERVICES</b>  <b>Management of Debt/Debt Recovery</b></p> <p>17. Sharing of good practice Consideration should be given to whether it is possible to issues text</p>	<p>The service would like to look at the possibility of E-billing and text reminders for NDR in the future. There will be a cost to this, given that NDR income is pooled by the government it</p>	<p>30/06/2023  31/12/2023  <b>31 Mar 2024</b></p>	<p>We are still waiting for confirmation from the system supplier about the actual cost of the functionality. We will chase this with a view to completing the action by March 2024.</p>	<p>NDR &amp; Income Manager</p>


VFM



Service, Report, Plan no. & Finding		Agreed Action	Dates	Comment	Responsible Officer
	message reminders for Non Domestic Rates missed payments.	has never been our highest priority. That being said it would introduce improvements for our businesses. We will approach the systems supplier, Northgate (Orbis) and get quotes for this work. At that point a business case will need to be considered before any other progress can be made.		<b>Delayed and Rescheduled</b>	
<b>Medium</b>	<b>FINANCIAL SERVICES</b> <b>Payroll Processes</b>  3. Processes Whilst there are well understood processes and procedures in place for the management of payroll updates, the whole process is hugely inefficient. A new HR and payroll system is planned for the future to replace the existing systems.	Using the above process flow completed for action 1, conduct a value chain analysis exercise to identify points of duplication and any other inefficiencies in the current process. Redesign the process to remove the inefficiencies identified to optimise the use of staff and speed the process up.	31/12/2023	This action has been delayed as key staff have had to prioritise the development and testing of the new HR and Payroll System. It should be noted that the processes being reviewed in this step will not be carried over to the new system. Instead, a new set of processes will be built which will reflect the processing logic of the new system and which will utilise the workflow functionality it contains. Will be moving to the new system in April 2024, focusing on the processes for the new system.  <b>Delayed and NOT Rescheduled</b>	Payroll & Pension Officer and Team Leader - HR Service Centre
<b>Medium</b>	<b>FINANCIAL SERVICES</b> <b>Payroll Processes</b>  2. Use of Resources Basic essential employee information is keyed in by HR&OD staff into CIVICA, then separately into ResourceLink by Payroll staff.	Completing and implementing action point 1 and 2 is expected to improve the overall efficiency of the process and optimise the use of staff time.	31/12/2023	The transfer of keying work to the HRSC has been completed. Work is also underway to build the processes which will be used in the new HR and Payroll system. It is very likely that there	Finance Manager – Departmental Support and HR Manager – Operations


Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer	
Medium			will be a further transfer of data input responsibilities from Payroll to HR based on the division of labour which underpins the process logic in the new system.  <b>Evidence Required</b>		
Medium	<b>FINANCIAL SERVICES</b> <b>Purchase Cards</b>  3. Purchase Card Holder List Purchase cards are a method of payment a detailed spreadsheet is maintained by Creditors providing details of purchase card holders, their card limit, the single transaction limit, the approver and any administrative delegates This is not currently circulated to budget holders for review.	The Purchase cardholder list will be circulated to Budget Holders for review. This be an annual process.	31/12/2023 <b>31 Mar 2024</b>	Email has been issued to budget holders, awaiting evidence that BH are engaging with Creditors.  <b>Delayed and Rescheduled</b>	Creditors Supervisor
Medium	<b>FINANCIAL SERVICES</b> <b>Purchase Cards</b>  8. Procurement Processes There is evidence that some purchases are made which do not follow Council procurement guidelines. A search of PECOS found that of 27 transaction recorded, 18 of these were retrospective orders. In addition, 28 transactions could not be found, 9 invoices were valued between £1,000 and £3,000 with no evidence of engagement with the procurement team.	Creditors will reissue to all cardholders, delegates and authorisers as per action plan 1 on report.	31/12/2023 <b>31 Mar 2024</b>	Creditors can't issue email until PCCMT have updated the guidance notes -Action Point 7 PCCMT.  <b>Delayed and Rescheduled</b>	Creditors Supervisor
Low	<b>H&amp;SCP - STRATEGIC PLANNING AND PERFORMANCE</b> <b>Risk Management</b>  3. Training	Recommendation accepted. A training programme based upon the use of the Smartsheet system is being developed.	31/12/2023 <b>30 Jun 2024</b>	Training has been sourced and paused as there may be a requirement to update the software training side based on the proposal. The proposal is to	Business Improvement Manager

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p>It is noted that there is an outstanding audit action since June 2021 covering : · Training for new members of IJB and Audit Committee · training for Risk leads · maintenance of training records</p>			<p>move to an alternative system that offers training so would not offer smartsheet training but training on an alternative system, for which approval is awaited.</p> <p><b>Delayed and Rescheduled</b></p>	
<p><b>High</b></p> <p><b>H&amp;SCP - ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS &amp; LIFELONG CONDITIONS/CSWO)</b></p> <p>Client Funds 3. Banking Detail restricted.</p>	Detail restricted	<p>31/03/2023 30/06/2023 31/08/2023 31/10/2023 <b>30 Jun 2024</b></p>	<p>Detail restricted</p> <p><b>Delayed and Rescheduled</b></p>	Finance Manager Departmental Support
<p><b>High</b></p> <p><b>H&amp;SCP - ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS &amp; LIFELONG CONDITIONS/CSWO)</b></p> <p>Client Funds 4. Safe Detail restricted</p>	Detail restricted	<p>31/03/2023 30/06/2023 31/08/2023 31/10/2023 <b>31 Mar 2024</b></p>	<p>Detail restricted</p> <p><b>Delayed and Rescheduled</b></p>	SW Admin Manager
<p><b>High</b></p> <p><b>H&amp;SCP - ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS &amp; LIFELONG CONDITIONS/CSWO)</b></p> <p>Client Funds 6. Unaccounted Funds Detail restricted.</p>	Detail restricted	<p>30/06/2023 31/08/2023 31/12/2023 <b>31 Mar 2024</b></p>	<p>Detail restricted</p> <p><b>Delayed and Rescheduled</b></p>	SW Admin Manager
<p><b>High</b></p> <p><b>H&amp;SCP - ADULT SERVICES (MENTAL HEALTH LEARNING DISABILITY, ADDICTIONS &amp; LIFELONG CONDITIONS/CSWO)</b></p>	Detail restricted	<p>31/03/2023 30/06/2023 31/08/2023</p>	<p>Detail restricted</p> <p><b>Delayed and Rescheduled</b></p>	Finance Manager Departmental Support

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
 Client Funds 8. Access to withdraw cash Detail restricted.		31/10/2023 30 Jun 2024		

## Action Plan Points Due after 31 December 2023

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
<p><b>EDUCATION PERFORMANCE &amp; IMPROVEMENT PUPIL REGISTRATION</b></p> <p>4. The functionality of Oracle CRM Expanding the use of Oracle CRM throughout the pupil registration process could further digitalise and streamline processes and provide a simplified audit trail. Consideration should be given whether the Placing Request process could be managed using Oracle CRM by providing access to school support staff in Argyll House.</p>	<p>Explore the functionality of Oracle with staff from Customer Support Services.</p>	<p>31/03/2024 <b>30 Sep 2024</b></p>	<p>Discussions with Customer Support Services are ongoing, it is hoped that the function to process placing requests using Oracle CRM will be in place by 30 September 2024.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Admin and Information Officer</p>
<p><b>DEVELOPMENT &amp; ECONOMIC GROWTH Planning Applications</b></p> <p>1. Procedure Document There are no established written procedural documents in place, staff follow a series of workflow processes which are aligned to legislative requirements and current guidance.</p>	<p>Review and update of existing written procedures to provide a collated procedural document for the handling of planning applications.</p>	<p>31/12/2022 30/06/2023 31/07/2024 <b>30 Sep 2024</b></p>	<p>Linked to the IDOX DMS project which is currently on hold. The hold-up is a matter out with DM control and relies on a fix from IDOX.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Process and Productivity Improvement Officer</p>
<p><b>ROADS &amp; INFRASTRUCTURE SERVICES – Warden Services</b></p> <p>Second Bin Service Verification Wardens are expected to verify the veracity of applications from customers for a second domestic bin service. This requires the warden to confirm that information provided by the customer is accurate and meets the defined criteria. The information provided to substantiate an application can be very personal and sometimes of a sensitive medical nature. Wardens have been asked to provide this service but have received no formal training in how to ensure a customer's dignity is maintained or to ensure they are aware</p>	<p>Review the process Review the second bins that are in place and the process for rationalising. This review to also give consideration to composition and identify opportunity to increase recycling and reduce general waste.</p>	<p>30/09/2022 30/12/2022 30/06/2023 30/09/2023 31/10/2023 31/03/2024 <b>30 Jun 2024</b></p>	<p>A report is going forward to EDI committee on 21 March on the review of second domestic bins. The report will outline the purpose of the review and how the exercise will be undertaken ensuring it links with the agreed policy. Following EDI, a letter will be issued to residents explaining the process and outlining what they will need to do.</p> <p><b>Delayed and Rescheduled</b></p>	<p>Operations Manager, Roads &amp; Infrastructure Services</p>

Service, Report, Plan no. & Finding	Agreed Action	Dates	Comment	Responsible Officer
 <p>of the requirements of General Data Protection Regulation (GDPR) in relation to personal data for this specific process. Due to the sensitivity of this process, and the potential risks associated with data protection it is recommended that the current verification process is reconsidered to determine if it is appropriate to maintain it in its current form. If it is decided it should be retained then there should be engagement with the Council's Governance and Risk Manager to ensure it is being carried out in full compliance with GDPR.</p>				

ARGYLL AND BUTE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

FINANCIAL SERVICES

14 MARCH 2024

## INTERNAL AUDIT REPORTS TO AUDIT AND SCRUTINY COMMITTEE 2023/2024

**1. EXECUTIVE SUMMARY**

- 1.1 There are three audits being reported to the Audit and Scrutiny Committee.
- 1.2 The table below provides a summary of the conclusions for the audits performed. The full reports are included as appendices to this report.

Audit Name	Level of Assurance	High Actions	Medium Actions	Low Actions	VFM Actions
Human Resources – Casual Workers	Substantial	0	2	3	0
Pupil and Public Transport	Substantial	0	1	1	2
Piers and Harbours	Reasonable	0	0	8	0

- 1.3 Internal Audit provides a level of assurance upon completion of audit work. A definition for each assurance level is documented in each audit report.

**2. RECOMMENDATIONS**

- 2.1 Audit and Scrutiny Committee to review and endorse this summary report and the detail within each individual report.

**3. DETAIL**

- 3.1 A high level summary of each completed audit report is noted below:

**Human Resources – Casual Workers:** this audit provided a substantial level of assurance. This means that control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. The Council's "Casual Workers Guidance for Managers" document effectively aids managers but requires updates. Human Resources (HR) to consider introducing training e-videos on the HUB platform to enhance staff awareness of obligations regarding casual staff. HR generates monthly reports on casual worker utilisation, forwarded to Departmental Management Teams (DMTs), however, there is no evidence of service follow-up on identified areas of concern. HR generates both monthly and semi-annual reports on casual worker utilisation, while Finance generates quarterly reports on the number of casual workers paid per department and their total costs.

**Pupil and Public Transport:** this audit provide a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale. The Council has a School Transport policy and guide which contain clear eligibility criteria, takes cognisance of the statutory distance from home to school and provides comprehensive information for parents and carers. Transport requests for children with ASN are internal documents submitted by Education Services. There is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the Integrated Transport team. Consideration should be given to whether a cross service procedure document would be beneficial. There are extensive procedure notes for key tasks and systems. These are used for training staff and demonstrate good planning and provision for business continuity. The School Transport team of 4.6 FTE office staff currently administer home to school transport for almost 300 pupils across the whole Council area. There would be benefit to reviewing the volume of staff managed by these two posts and the current tasks to check that the current structure is sustainable and promotes appropriate resilience going forward. Assessment of pupil's needs are carried out by specialist trained staff within Education, sometimes with support from Social Work Services. These reviews considers the needs of the service user, their educational and transport requirements. The School Transport team have a well-established and robust process for dealing with requests for home to school transport for pupils with ASN, this utilises existing transport on or near the required route to check for availability and suitability for the needs of the pupil, where possible. A fixed annual amount of £0.331m is transferred via journal from Education Service to 'In House Pupil transport'. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable. Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder. The School Transport Manager maintains a spreadsheet capturing the costs of in house transport. This is well managed, monitored and demonstrates that this Council is achieving best value while meeting its statutory requirements and the challenges of increased demand.

**Piers and Harbours:** this audit provided a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk. Whilst localised process and procedures are in place and are well understood for the collection of piers and harbour income there is no centralised comprehensive policy or procedure note that is consistently applied across the Council areas. CalMac, the main ferry operator uses the Council's Piers and Harbours on a daily basis, with an administratively intensive process in place for charging. In addition there



is no SLA or Harbour Access Agreements in place for the main users of the Council's facilities. Harbourmasters based at the Council's larger piers and harbours are able to record the use of the main facilities, however, a number of piers, slipways and harbours are in remote locations and difficult to manage in terms of use. In addition, there are no robust procedures in place to identify commercial tour vessels using our facilities potentially resulting in a loss of income for the Council. Fees and charges for the fishing fleet within the Council area are managed by the fishing fleet whereby they advise us of the value of their landings once the catch has been sold. There is no back up information provided to substantiate the value and it is generally paid through cash receipting or by cheque. Piers and Harbours income is managed at a local level with a great deal of reliance placed on the local knowledge of the Harbour Master and staff. Debtor's accounts are raised by a members of Roads and Amenity staff who have remote access to the Sundry Debtors system. The outstanding debt owed to the Council at the end of June in respect of Piers and Harbours amounted to £143k. There are a number of long term outstanding debts and it was noted that in some instances there is continued use of our facilities by vessels who have outstanding debts dating back to 2019. Pier and harbour dues are set as part of the budget setting process. Pier and harbour dues are standardised charges and applicable across the Council area. Where most piers and harbours are used by ferry providers or the leisure industry, Campbeltown pier and harbour is predominantly a commercial harbour dealing with large vessels loading and unloading cargo, therefore, perhaps our current charging policies do not take into account the differences with other areas in Argyll. We reviewed the fees and charges agreed by the Council and compared these to fees and charges applied in other piers and harbour throughout Scotland, including Clydeport. We found that there were areas that the Council were perhaps undercharging and in others, not charging for at all in comparison to that of other harbour authorities.

#### **4. CONCLUSION**

- 4.1 Management has accepted each of the reports submitted and have agreed responses and timescales in the respective action plans.

#### **5. IMPLICATIONS**

- 5.1 Policy – None
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
  - 5.5.1 Equalities – protected characteristics – None
  - 5.5.2 Socio-economic Duty – None
  - 5.5.3 Islands – None
- 5.6 Climate Change – None
- 5.7 Risk – The implementation of recommendations contained in audit reports may help mitigate the risk to the Council.
- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) – None

**Paul Macaskill**  
**Chief Internal Auditor**  
**14 March 2024**

**For further information contact:**

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**APPENDICES**

1. Human Resources - Casual Workers
2. Pupil and Public Transport
3. Piers and Harbours

## Argyll and Bute Council

## Internal Audit Report

February 2024

Final

# Human Resources – Casual Staff

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	2	3	0

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## 1. Executive Summary

### Introduction

1. As part of the 2023/24 internal audit plan, approved by the Audit & Scrutiny Committee in March 2023, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Human Resources-Casual Staff.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Background

4. Despite a challenging financial context, the council's overall workforce numbers have not significantly reduced over the last 10 years. However, since the pandemic, there has been a shift away from permanent employment to more temporary, casual and agency arrangements in some areas of the workforce.
5. From time to time a worker is required on an "ad hoc" basis which cannot be absolutely forecast, such as to provide additional cover for a special event, or to provide specialist skills, or relief emergency cover in a front line service. In these circumstances, an offer of work can be made on a "Casual" work basis. Casual Workers should only be used on an "as and when needed" basis. If there is a need for their regular and routine use, managers should consider placing these workers into temporary posts.
6. In the case that the employment relationship becomes more than a casual arrangement, then a change in contract would be required. Therefore, it is critical that Managers understand the distinction between casual and temporary contracts, so that the correct contracts are issued.
7. Roles such as ASN assistants, internal transport staff, catering and cleaning are examples of those roles which have seen reductions in permanent numbers and a corresponding increase in temporary or casual arrangements.
8. The last available figures showed that of a total workforce of approximately 5,800 some 2,800 were in casual posts.

## Scope

9. The scope of the audit is to review the use of casual staff and extensions of these arrangements and determine whether there are any contractual implications and that the correct contractual status is reflected on the Payroll system as outlined in the Terms of Reference agreed with the Head of Customer and Support Services on 24th January 2024.

## Risks

10. The risks considered throughout the audit were:
  - Audit Risk 1: Casual workers guidance is unclear and does not align with regulatory requirements
  - Audit Risk 2: Council services are not compliant with the agreed Casual workers guidance
  - Audit Risk 3 :The Council does not regularly review casual staff to ensure their job status is correct as per guidance
  - Audit Risk 4: Appropriate arrangements are not in place for performance monitoring and reporting of casual staff

## Audit Opinion

11. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
12. Our overall audit opinion for this audit is that we can take a Substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

## Recommendations

13. We have highlighted two medium priority recommendations and three low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - Guidance on casual workers should be regularly reviewed and updated e.g. casual workers' pay rates.
  - Human Resources (HR) should consider the introduction of training e-videos accessible through the HUB platform to ensure all relevant staff are aware of their obligations in regard to casual staff.
  - A process should be introduced to ensure that individuals identified by HR as requiring to have their contractual status reviewed are followed up by relevant departments.
  - HR to ensure that all relevant management are aware of reports generated by HR in regard to casual workers.
  - HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.

14. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

15. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 1 – Summary Assessment of Control Objectives

	<b>Control Objective</b>	<b>Link to Risk</b>	<b>Assessment</b>	<b>Summary Conclusion</b>
1	Casual workers guidance is in place and aligns with legal and regulatory requirements.	Audit Risk 1	Substantial	The Council's "Casual Workers Guidance for Managers" document is comprehensive and effectively aids managers in engaging and managing casual workers. However, it requires updating in a number of areas. HR should introduce training e-videos on the HUB platform to enhance staff awareness and compliance with obligations regarding casual staff.
2	All casual staff are regularly reviewed to ensure that their employment status is correct. This includes frequency, duration and nature of assignments.	Audit Risk 3	Reasonable	HR generates a monthly report containing financial data on casual workers' utilisation, forwarded to Departmental Management Teams (DMT's). Additionally, HR identifies casual workers by service who may need contractual review, but there is no evidence of service follow-up. Transport and catering management were unaware of these reports. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.
3	All Council services are compliant with each section of the guidance including recruitment, payment and rights of casual workers.	Audit Risk 2	Reasonable	Internal audit conduct monthly random audits on worker pay to ensure compliance with contractual arrangements, covering casual workers. No material issues have been detected thus far. Finance authorises the creation of all new casual worker positions.
4	Appropriate arrangements are in place for performance monitoring and reporting of casual staff.	Audit Risk 4	High	HR generates both monthly and semi-annual reports on casual worker utilisation. Finance generates quarterly reports detailing the number of casual workers paid per department and their total costs.

16. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

#### *Casual workers guidance is in place and aligns with legal and regulatory requirements*

17. A review of the Councils "Casual Workers Guidance for Managers" document found it to be a comprehensive and well-structured guide. The review evidenced the following in regard to its suitability:

- **Clarity in Definitions and Distinctions:** The document clearly distinguishes between "employees" and "casual workers," highlighting the different contractual obligations and entitlements. This clarity is crucial for managers to understand their responsibilities and the nature of casual employment.
- **Detailed Guidance on Employment Terms:** It effectively outlines the terms of employment for casual workers, including payment, lack of mutuality of obligation, and absence of regular increments and employee benefits. This helps in setting clear expectations for both managers and casual workers.
- **Procedure for Hiring and Deployment:** The guide provides a step-by-step process for recruiting casual workers, which includes authorisation, application, interview, and appointment procedures. This structured approach can help ensure consistency and fairness in the recruitment process.
- **Legal and Compliance Aspects:** The document addresses important legal aspects, like the risk of incorrect deployment of casual workers and the potential implications on employment rights and benefits. It underscores the importance of adhering to employment laws and council policies.
- **Operational Guidelines:** There are specific operational guidelines, such as the proper use of casual workers, avoidance of regular patterns of work, and procedures for managing casual worker lists. This can assist managers in effectively utilising casual staff while remaining compliant with regulations.
- **Focus on Fairness and Transparency:** The guidance emphasises fairness in allocating work and transparency in recruitment processes, which are crucial for ethical management and avoiding potential biases or favouritism.
- **Integration with Council Policies:** The document integrates casual worker management with broader council policies, including Dignity at Work and data protection regulations, ensuring a holistic approach to workforce management.
- **Opportunities for Internal Vacancies:** The guide allows casual workers to apply for internal posts under certain conditions, promoting inclusivity and providing growth opportunities within the council.

Overall, the document is a comprehensive guide that effectively aids managers in the proper engagement and management of casual workers, however, the guidance should be updated in a number of areas namely:

- Reference is made to the "HSCP fortnightly vacancy monitoring group". This group no longer exists.



- Appendix 1 lists pay rates for casual workers Re 2021. Rather than stating these rates which will change on an annual basis, consideration should be given to inserting a link to a site that reflects current pay rates.

Action plan 3

18. Included on the HUB is a number of documents pertinent to casual workers namely :

- Casual Workers – Guidance for Managers
- Recruitment forms

19. Each department is assigned a "Human Resources Business Partner" to review high level data around usage of casual staff and highlight areas for review.

20. Staff members undergo induction training upon joining the Council, ensuring their initial preparedness for their roles. Whilst there is existing guidance on the utilisation of casual workers, there is no documented evidence demonstrating periodic training for staff members who engage casual workers. This gap in training extends to the Education sector, where there appears to be insufficient instruction on differentiating between the status of a casual worker and that of a supply teacher. To bridge this training gap, HR should consider the introduction of training e-videos accessible through the HUB platform.

Action Plan 4

*All casual staff are regularly reviewed to ensure that their employment status is correct. This includes frequency, duration and nature of assignments*

21. The guidance specifies that "Financial Records on the use of Casual Workers" are distributed monthly to Heads of Service to facilitate monitoring of their utilisation. These reports are intended to assess the consistency of casual workers' engagement, which may prompt a review of their contractual status. Evidence reveals that such reports are regularly prepared across departments, including Education and Financial Services and forwarded to relevant staff, identifying individuals currently under casual contracts flagged by HR for review. However, it was observed that there is no established process to ensure that the relevant services conducts the necessary review upon identification of such individuals.

Action Plan 1

22. Discussions with management in Catering and Cleaning, as well as Pupil Transport, revealed their lack of awareness regarding HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.

Action Plan 2

23. The Guidance specifies that Managers are accountable for maintaining Casual Worker Lists. A review of casual worker lists confirmed that registers of casual workers are in place.

24. The council regularly conducts an equal pay audit. The audit explores gender pay gaps, where these manifest within the organisation, and why. The most recent equal pay audit's findings provide assurances that the processes and practices around pay and grading are robust with pay gaps arising from structural factors within the wider labour market.

25. Discussions with operational managers confirmed they use casual staff because it's quicker and easier to set them up in a casual post than to go through the levels of control required for

temporary posts. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.

## Action Point 5

*All Council services are compliant with each section of the guidance including recruitment, payment and rights of casual workers.*

26. As part of its routine monthly audit checks, internal audit examines a random sample of workers' pay to verify adherence to contractual arrangements. The random sample encompasses casual workers, and findings thus far affirm that casual workers are compensated in accordance with contractual obligations.
27. The guidance for casual workers states "If the post that you wish to recruit into does not already exist within the department's budgeted establishment you must complete the appropriate form to gain authorisation to create a new casual post. This needs to be approved by Finance". It was evidenced that Finance approve the creation of all new casual workers posts.
28. Financial reports on casual usage by HSCP staff are generated on a monthly basis and forwarded to the relevant DMT.

*Appropriate arrangements are in place for performance monitoring and reporting of casual staff.*

29. The Guidance states that HR should generate a monthly report encompassing all HR matters, including those related to Casual staff. It was confirmed that monthly reports for all departments are forwarded to relevant Departmental Management Meetings. A review of the reports noted that issues pertinent to casual workers are included within the reports.
30. HR produce a 6 monthly report which includes data on casual workers employed during the relevant period. The report provides an overview of workforce trends within the Council, particularly regarding casual staff. The report covering the 6 months until end September 2023 acknowledges that since the onset of the pandemic, there has been a shift away from permanent employment toward more temporary, casual, and agency arrangements in certain workforce segments.
31. The Finance department generates a quarterly report that provides a breakdown of the number of casual workers paid within each department, along with their respective total costs. This report is forwarded to relevant staff within departments.
32. Discussions with HR noted that managers prefer utilising casual staff due to the accelerated process compared to the process involved in putting a temporary posts in place. Consideration may be made where suggestions to simplify recruitment with trades union and senior management are explored, and this can be integrated into the ongoing policy review.

## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p><u>Follow up of casual staff identified for contractual review.</u></p> <p>HR regularly generates reports for departments, identifying staff on casual contracts whose contractual status requires review. However, there was no evidence to indicate that services have conducted the necessary review.</p>	<p>Failure of departments to conduct the necessary review of casual workers' contractual status which may lead to non-compliance with the Councils policies or legal obligations.</p>	<p>HR to coordinate with departmental services to ensure that the necessary reviews of staff on casual contracts are conducted in accordance with the identified reports.</p>	<p>Senior HR Business Partner/ Departmental Business Partners</p> <p>31<sup>st</sup> July 2024</p>
Medium	2	<p><u>Management Awareness of HR Reports on Casual Worker Contracts</u></p> <p>Discussions with management in Catering and Cleaning, as well as Pupil Transport, revealed their lack of awareness regarding HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.</p>	<p>Absence of management awareness regarding reports may lead to inadequate monitoring and oversight of compliance with legal obligations related to casual worker contracts.</p>	<p>HR to conduct awareness sessions with management in Catering and Cleaning, as well as Pupil Transport, to ensure they are informed about HR reports identifying employees on casual worker contracts needing review to ensure compliance with the Council's legal obligations.</p>	<p>Departmental Business Partners</p> <p>31<sup>st</sup> July 2024</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	3	<p><u>Casual Workers Guidance</u></p> <p>Guidance on casual workers should be regularly reviewed and updated e.g. casual workers' pay rates.</p>	Inaccurate or outdated guidance could result in legal issues if it leads to incorrect contractual arrangements or breaches of legal obligations.	HR to establish a regular review process for the guidance on casual workers, including updating information such as pay rates, to ensure it remains current and aligned with Council policies.	Officer title HR Projects and Information Officer  31 <sup>st</sup> December 2024
Low	4	<p><u>Training</u></p> <p>Human Resources (HR) should consider the introduction of training e-videos accessible through the HUB platform to ensure all relevant staff are aware of their obligations in regard to casual staff.</p>	Without regular training, staff members may not fully understand the correct procedures and protocols for engaging casual workers.	HR to explore the feasibility of creating and implementing training e-videos on the HUB platform to ensure all relevant staff are adequately informed about their obligations regarding casual staff	HR Manager (Operations)  31 <sup>st</sup> December 2024
Low	5	<p><u>Recruitment process</u></p> <p>Discussions with operational managers found a preference for casual staff due to the simpler setup process compared to temporary posts, potentially prompting talks with trade unions and senior management to simplify recruitment, reducing incorrect usage and improving efficiency. HR should explore opportunities with key stakeholders to make it easier for managers to recruit into temporary posts.</p>	Failure to assess the effectiveness of the recruitment process may result in non-compliance with organisational policies and procedures, as well as regulatory requirements related to the hiring of casual staff and filling temporary positions.	HR to initiate discussions with trade unions and senior management to explore opportunities for simplifying the recruitment process for temporary/casual posts, based on feedback from operational managers, with the aim of reducing incorrect usage and improving overall efficiency.	Senior HR Business Partner/ HR Manager Operations  31 <sup>st</sup> March 2025

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Argyll and Bute Council  
Internal Audit Report  
March 2024  
FINAL

# Pupil and Public Transport

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	1	1	2

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## 1. Executive Summary

### Introduction

1. As part of the 2023/24 internal audit plan, approved by the Audit & Scrutiny Committee in March 2023, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Pupil and Public Transport.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Background

4. Section 51 of the Education (Scotland) Act 1980 (the 1980 Act) requires local authorities to make such arrangements as they consider necessary for the provision of school transport for pupils residing, and attending schools, in their area. Local authorities have a varied level of discretion in this regard and the arrangements that are established can include the provision of free school transport for some or all of the journey depending on a number of factors, for example, pupils who live beyond the statutory walking distance and are attending the school designated as the nearest appropriate catchment school. The statutory walking distance is defined in section 42(4) of the 1980 Act as being two miles for children aged under eight, and three miles for children aged eight or over.
5. The purpose of this core national legislation and subsequent equalities, health and transport legislation are multiple:
  - Provision of fair access to educational opportunities – the prime statutory power under sections 30, 42 and 51 of the Education (Scotland) Act 1980
  - Promotion of sustainable transport use
  - Benefits for both the school and the children by improving their health through active travel and reducing congestion caused by school runs, which in turn helps improve local air quality (The National Transport Strategy 2016)
  - Encourage pupil's independence and confidence, where possible
  - Reduce discrimination and promote equal treatment for all (Equality Act 2010)
6. When considering whether to make arrangements for the provision of school transport, local authorities are further required to have regard to the safety of the pupil, as well as to ensure that access to transport which meets the child's needs is provided. This may mean an alternative vehicle, such as a minibus or taxi, however there is no requirement to alter vehicles such as school buses to meet a person's needs.

7. Parents remain responsible for their child's journey to and from school or, where the authority is providing school transport (either through a dedicated service or local bus service), between home and the designated pick-up/drop-off point.
8. In Scotland, there is a 'presumption of mainstreaming' – this means that children and young people have the right to an education in a mainstream school, unless their needs cannot be met within that environment. Every mainstream Scottish school has a 'catchment area' fixed by the local authority. Children living within a catchment area are normally provided with a place at the school serving that specific geographical area. A group of primary schools in an area is normally associated with a single secondary school. Parents can make a request to place their child in any school under the management of the education authority. This is known as a placing request. Parents are responsible for the transport to the school in the placing request where it is not within their catchment area as the education authority does not provide transport for those pupils in receipt of a placing request.
9. Local authorities and other agencies have duties under the Education (Additional Support for Learning) (Scotland) Act 2004 (as amended) to identify, provide for and review the additional support needs of their pupils. Children or young people may require additional support for a variety of reasons, either for short periods of time or throughout their education. An additional support need (ASN) can arise for any reason and be of short or long term duration. Additional support may be required to overcome needs arising from the learning environment; health or disability; family circumstances or social and emotional factors.
10. For children with additional support needs (ASN) and where mainstreaming does not meet the needs of the child, they may be educated in a learning centre based in the school or where a learning difficulty or a physical impairment is particularly severe or complex, in a separate day school or residential school, which may be located out-with the pupil catchment area or in exceptional circumstances outside the Argyll and Bute Council area.
11. In determining individual transport needs, recommendations from school staff, Psychological Services, community and allied health professionals should be considered as well as information from parents or carers. In Argyll and Bute consideration of the needs of children with ASN, including home to school transport, is undertaken within the framework of the 'Getting It Right for Every Child' (GIRFEC) guidance from the Scottish Government.
12. The Education (Scotland) Act 1980 establishes the principle of offering vacant places on transport to non-entitled pupils and securing a payment for that place. This is known as a Privilege Rides seat and occurs where there are vacant seats on some contracted transport services and may be allocated to pupils who are not normally entitled to travel. If spare seats exist on dedicated school transport vehicles, parents can apply for a privileged rides seat for their child/children, which will be charged at a cost determined by the Council. Children attending an alternative to their catchment school by virtue of a placing request also have also the potential to be granted privilege rides. Privilege seats are not available on journeys which operate as registered local bus services.

## Scope

13. The scope of the audit was to review the methodology for Additional Support Needs transport spend; looking at scope for the potential of merging normal bus services with school/ASN transport; and the distance from home to school transport as outlined in the Terms of Reference agreed with the Fleet and Waste Transport Manager on 25 July 2023.

## Risks

14. The risks considered throughout the audit were:
- **Audit Risk 1:** Costing methodology for the provision of Additional Support Needs transport does not fully reflect all costs associated with providing the service.
  - **Audit Risk 2:** The Additional Support Needs placement review does not consider the impact of the transportation requirements, from home to school, on children and their families and may not encourage pupil's independence and confidence.

## Audit Opinion

15. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
16. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

## Recommendations

17. We have highlighted one medium priority, one low priority and two value for money recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- Consideration should be given to whether a cross service agreement between Education Services and the Integrated Transport team would be beneficial.
  - There would be benefit to reviewing both the volume of drivers and escorts managed and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and promotes sufficient resilience going forward.
  - Relevant parties should review and determine the most appropriate solution in dealing with the historic annual journal arrangement amounting to £0.331m, taking cognisance of any corporate budgeting processes that may be applicable.
  - Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.
18. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

19. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

## Exhibit 1 – Summary Assessment of Control Objectives

	<b>Control Objective</b>	<b>Link to Risk</b>	<b>Assessment</b>	<b>Summary Conclusion</b>
1	The Council has a School Transport policy, procedures and Service Level Agreement in place, for the provision of ASN home to school transportation.	Audit Risk 2	Substantial	<ul style="list-style-type: none"> <li>The Council has a School Transport policy and guide which contain clear eligibility criteria, takes cognisance of the statutory distance from home to school and provides comprehensive information for parents and carers. These are published on the <a href="#">School Transport</a> page of the Council's website.</li> <li>Transport requests for children with ASN are internal documents submitted by Education Services.</li> <li>There is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the Integrated Transport team. Consideration should be given to whether a cross service procedure document would be beneficial.</li> <li>There are extensive procedure notes for key tasks and systems. These are used for training staff and demonstrate good planning and provision for business continuity.</li> <li>The School Transport team of 4.6 FTE office staff currently administer home to school transport for almost 300 ASN pupils across the whole Council area.</li> <li>A review of the job descriptions and current tasks found elements of outdated narrative.</li> <li>The Admin Officer Transport, LGE8, has line manager responsibility for one Assistant, plus all school transport drivers and pupil escort (approximately 200), in practice this is shared with the School Transport Manager, LGE12.</li> <li>There would be benefit to reviewing the volume of staff managed by these two posts and the current tasks to check that the current structure is sustainable and promotes appropriate resilience going forward.</li> </ul>
2	The assessment of ASN placement reviews	Audit Risk 2	High	<ul style="list-style-type: none"> <li>Assessment of pupil's needs are carried out by specialist trained staff within Education, sometimes with support from Social Work Services. These reviews</li> </ul>

	considers the needs of the service user, their educational requirements and transport needs.			<p>considers the needs of the service user, their educational and transport requirements.</p> <ul style="list-style-type: none"> <li>The School Transport team have a well-established and robust process for dealing with requests for home to school transport for pupils with ASN, this utilises existing transport on or near the required route to check for availability and suitability for the needs of the pupil, where possible.</li> </ul>
3	There is a robust methodology for Additional Support Needs transport spend that fully reflects all costs associated with providing the service.	Audit Risk 1	Substantial	<ul style="list-style-type: none"> <li>Budgets for the provision of Home to School transport are set as part of the Councils normal budget setting process using funding received via the Unrestricted Revenue Grant Allocation to the Council.</li> <li>A fixed annual amount of £0.331m is transferred via journal from Education Service to 'In House Pupil transport'. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.</li> <li>Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.</li> <li>The School Transport Manager maintains a spreadsheet capturing the costs of in house transport. This is well managed, monitored and demonstrates that this Council is achieving best value while meeting its statutory requirements and the challenges of increased demand.</li> </ul>

20. Further details of our conclusions against each control objective can be found in Section 3 of this report.
21. This internal audit review was due to be carried out in July, during the school holidays to minimise the impact upon the team, however, the commencement of fieldwork and testing was delayed due to long term ill health staff absence and the commencement of an external review of Roads and Infrastructure Services. We acknowledge that there may be some minor overlap with the potential findings and recommendations contained in these reports.

### 3. Detailed Findings

The Council has a School Transport policy, procedures and Service Level Agreement in place, for the provision of ASN home to school transportation.

22. The Council has a School Transport policy (the policy) which contains clear eligibility criteria and takes cognisance of the statutory distance from home to school. The policy clarifies that “transport covers a return journey each school day, to school in the morning and to home at the end of the school day.”
23. The Council’s policy on school transport is more generous than that required by statute and it outlines the circumstances in which the Council will provide transport, the main instances are:
  - Where a child at primary school, at the start of the school session, lives more than 2 miles away from the catchment primary school (by the shortest safe walking route)
  - Where a child at secondary school, at the start of the school session, lives more than 3 miles away from the catchment secondary school (by the shortest safe walking route)
  - Where the child has been recommended for transport on health grounds by a medical officer designated by the Education Service (these are internal transport requests).
24. The Integrated Transport Team have produced a School Transport Guide for parent and pupils (the guide) which condenses the information contained in the policy, this is reviewed annually and sets out:
  - What free school transport means, who is entitled to this and what transport is provided
  - Suggestions for healthy travel options to get to school
  - The responsibilities of the Council, schools, parents, pupils, bus and taxi operators and drivers
  - Safety information, frequently asked questions and complaint and contact details
25. The [school transport page](#) on the Council’s website sets out the Councils’ aims, the legislative requirements for parents and the Council and further provides all the relevant information in one place, including, links to find a school, copies of the policy, the guide and all application forms that parents and carers require as well as contact details should they require assistance.
26. Assessment of pupils needs are carried out within the framework of GIRFEC (Getting it right for every child) guidance from the Scottish Government, by specialist trained professionals within Education, sometimes with support from Social Work Services, while the logistical planning and management of the home to school transport is carried out by the Integrated Transport Team within Roads and Infrastructure Services.
27. Currently there is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the School

Transport team. Consideration should be given to whether a cross service procedure document or service agreement would be beneficial.

## **Action Plan 1**

28. The Integrated Transport team cover the whole geographic area of the Council and consists of 7.6 FTE office staff and approximately 200 part time and casual drivers and pupil escorts. Staff are split into two teams, with 3 full time staff undertaking duties relating to the administration and management of the external contracts required for pupil/school and public transport services and the School Transport Team with 4.6 FTE office staff, are responsible for the planning, set up and maintenance of the internal contracts for home-to-school pupil transportation including the management of drivers and escorts, vehicle maintenance and mini-bus hires. While we had discussions with both teams, the School Transport team were the main contacts during our work as they process and manage the ASN transport requests.
29. A review of the job descriptions and current tasks found elements of outdated narrative. The job description states the Admin Officer Transport LGE8 has line manager responsibility for one Assistant, plus all school transport drivers and pupil escort. In practice, the School Transport Manager (LGE12) manages the in house school transport office staff while the daily management of the drivers and escorts is shared with the Admin Officer Transport, with the nature and complexity of the issue determining who deals with it.
30. There is a School Transport emergency out of hour's phone number for drivers, escorts and parents to contact to report vehicle breakdowns, ill health of staff or pupils etc. Staff within the team have a rota to cover this between the hours of 5pm -10pm and 06.00am-9.00am. The current arrangements for standby and call out payments for the staff who are included on the rota are similar to that within Social Work Services, circa £14 per day for standby and a call out fee where applicable. In order to deal with issues raised, staff require detailed knowledge of the whole Council area and the pupil transport routes. While it is not compulsory for staff to be placed on the rota, it is not listed on the job descriptions.
31. There are extensive comprehensive procedure notes for operational tasks and processes, which reflect current working practices. The documents are aligned to both the policy and the guide and provide clear detail and instructions for staff. This demonstrates good planning and provision for business continuity and has been essential in enabling the team meet key deadlines during current staff illness and staff turnover within the past couple of years.
32. There would be benefit to reviewing both the number/volume of drivers, escorts and casual staff managed by Admin Officer Transport and the School Transport Manager and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and helps promote business resilience going forward.

## **Action Plan 2**

33. In 2020 an Argyll & Bute Transport Consultancy study was commissioned to investigate options for the redesign of public and school transport services management, delivery and operation within the Council's area. This included an audit of Council home to school transport and supported local bus service network, ASN transport provision and the eligibility distance from home to school transport. The study considered amending the current policy on school transport to match the lesser statutory requirements but the report was inconclusive, highlighting that while there could be merit in principle, the practical applications of such a policy change would

need to be further considered. We are unaware whether this was reassessed since the report was finalised.

34. The statutory provision is age related while the school year has a broader catchment e.g. primary 1 can compose of pupils aged 4 to 6, meaning the practical implications of such a change would make school transport more complex to administer. These complexities and the addition of free travel for children via the Young Scot card scheme would need to be considered before any decision to amend the Council's policy is taken.

[The assessment of ASN placement reviews considers the needs of the service user, their educational requirements and transport needs.](#)

35. As noted in paragraph 26 above, the assessment of pupil's needs are carried out by specialist trained staff within Education, sometimes with support from Social Work Services where that is required. These reviews consider the needs of the service user, their educational requirements and transport needs.
36. Processes to build independent travel skills for children and young people are built into the assessment of transport requirements. Risk assessments consider whether integration onto public school transport is appropriate or whether a need for specific transport is more appropriate to the needs of the child.
37. Pupils needs can be assessed at any point but commonly transport requirements are considered/reviewed during transition from Early Learning and Childcare to primary one registration and transition to secondary school. Sometimes issues arising from transition from primary to secondary do not become known until the pupil undertakes the travel regularly. This can lead to requests at the start of term once pupils are attending the secondary, which can cause pressure points for School Transport team who have less time to make the necessary amended arrangements.
38. Where assessment has identified that the specific nature of a child's additional support needs results in the requirement for transport to and from school, the Named Person, usually the Head Teacher of the school, completes the transport application form, detailing the transport and other medical or social needs of the child. This information and the recommendation will be considered by the relevant Education Officer in the first instance for final agreement before emailing requests to the School Transport Team for processing.
39. Due to the sensitive nature of the information, testing of requests was carried out via observation of the School Transport Manager who performed a walk-through of the steps taken when initial requests or amendments are received. The process is well established and robust and utilises existing transport arrangements on or near the required route to check for availability and suitability of the needs of the pupil where possible.
40. The File Maker database system is used by the School Transport team to create, store and manage the transport arrangements for pupils. This is a comprehensive record which covers all the key information including, the type of transport, the contract number which identifies the driver/route, pick up location and time and whether an escort is required.



There is a robust methodology for Additional Support Needs transport spend that fully reflects all costs associated with providing the service.

41. The School Transport team are part of the wider Fleet, Passenger Transport and Waste team within Roads and Infrastructure Service. Budgets for this service are set by the Council as part of the Council's formal budget setting process using funding received from the Scottish Government via the Unrestricted Revenue Grant Allocation.
42. In addition to the annual budget allocation a transfer is received via journal of £0.331m from Education Services. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Prior to the Council restructuring of departments, the School Transport team were part of Education Services until transferring to the Fleet, Passenger Transport and Waste team within Roads and Infrastructure Service. It is likely that this journal may have been a legacy item from the old structure but has become an assumed element of financial contribution to the provision of ASN pupil transport costs. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.
43. A review of the budget associated with School Transport found that actual costs have exceeded the budget for the last two financial years, information for the financial year 2020-2021 is not included due to COVID lockdown.

RIS - Pupil Transport In House	Annual Budget	YTD Actuals	Variance
2021-2022	£1.36m	£1.52m	£0.152
2022-2023	£1.44m	£1.68m	£0.236

44. The over spend has been met from within the wider Fleet, Passenger Transport and Waste budgets, however, the increasing demand led service and rising costs for the provision of ASN home to school transport, together with demands on budgets within the wider team, has in part led to the request for this internal audit review.
45. As part of the Council's corporate budget monitoring processes, Education and Financial Services have advised the Council of significant budget pressure that is continuing to develop around meeting the needs of learners with the most complex needs, across Argyll and Bute. This budget pressure relates to an assessed demand led service for specialist teaching and support staff and specialist day provision.

### Action Plan 3

46. At its meeting on 28 September 2023 the Council acknowledged the growth in the number of children with a recognised ASN at a national level, and including within Argyll and Bute. Councillors agreed that lobbying of the Scottish Government, through COSLA in the first instance and in collaboration with other Scottish Local Authorities, to address the funding gap facing local authorities in meetings the costs associated with the needs of children and young people.
47. Requests for home to school transport for ASN placements are a direct driver for costs within the School Transport team, however these budgets sit within different Services, namely

Education and Roads and Infrastructure, so have different reporting structures. Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.

#### **Action Plan 4**

48. The School Transport Manager maintains a spreadsheet capturing the costs of in house transport, including allocations for annual fuel, vehicle related costs and driver and escort costs. This is a moving picture, but during the period covered by the review, there were 291 pupils receiving home to school transport at an estimated cost of £1.137m which averages at £3900 per pupil. It is our opinion this is well managed, monitored and demonstrates that this Council is achieving best value while meeting its statutory requirements and the challenges of increased demand.

## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	1	<p>Cross service agreement</p> <p>There is no formal protocol or agreement in place that sets out the roles and responsibilities of each service nor standard timescales for submitting requests to the Integrated Transport team. Consideration should be given to whether a cross service procedure document would be beneficial.</p>	Lack of clarity may lead to unrealistic expectations of service staff, pupils and their families.	The School Transport Team to arrange a meeting /schedule of meetings with key partners in Education to discuss whether a cross service procedure document would be beneficial, to clarify timescales, aid understanding of each services' processes and create an avenue for raising and resolving any issues arising.	<p>Fleet, Waste and Transport Manager</p> <p>School Transport Manager</p> <p>Education Manager - Inclusion &amp; Equality, Education</p> <p>Depute Principal Educational Psychologist</p> <p>March 2025</p>
Medium	2	<p>Sustainability and resilience.</p> <p>Concerns regarding the sustainability and resilience of the current School Transport team structure. It is possible that the long term staff absence and staff turnover in recent years, may in part be linked to the volume of drivers and escorts managed by the Admin Officer Transport LGE8 and the School Transport Manager, in conjunction with the increased workload due to higher demand for home to school transport and other additional tasks.</p> <p>There would be benefit to reviewing both the volume of drivers and escorts managed by the Admin Officer Transport LGE8 and the School Transport Manager and the current tasks undertaken by the School Transport Team to check that the current structure is sustainable and resilient going forward.</p>	Business continuity risk.	The job evaluation process is underway, this will include looking at tasks within the team and decisions will be made once the outcome of this is established.	<p>Fleet, Waste and Transport Manager</p> <p>December 2024</p>

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
VFM	3	<p>Budget Alignment</p> <p>A journal is manually processed each year transferring the fixed amount of £0.331m from Education Services to the Pupil Transport In House cost centre. During discussions with senior staff, we understand that this arrangement is likely to have arisen from historical transactions which may have related to specific cases and/or services, relevant at that time. However, the specific justification for continuing this arrangement remains unclear, notwithstanding, this sum contributes annually to the provision of the ASN pupil transport service. Relevant parties should review and determine the most appropriate solution in dealing with this historic arrangement, taking cognisance of any corporate budgeting processes that may be applicable.</p>	Potential that all components of ASN pupil transport may not have been considered during Service Redesign.	Relevant parties will review and determine the most appropriate solution, taking cognisance of any corporate budgeting processes that may be applicable.	<p>Executive Director Kirsty Flanagan</p> <p>And</p> <p>Executive Director Douglas Hendry</p> <p>December 2024</p>
VFM	4	<p>Cost and demand pressure</p> <p>Requests for home to school transport for ASN placements are a direct driver for costs within School Transport team, however these budgets sit within different Services, namely Education and Roads and Infrastructure, so have different reporting structures. Any additional cost pressures, relating to the provision of ASN pupil transport, due to increased demand should be escalated in accordance with corporate budgeting processes, by the budget holder.</p>	Increased demand for ASN pupil transport is not met by appropriate budget provision.	Cost pressures relating to the provision of ASN pupil transport will be discussed during budget holder engagement meetings and handled in accordance with corporate budget processes.	<p>Fleet, Waste and Transport Manager</p> <p>March 2025</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
<b>High</b>	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
<b>Medium</b>	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
<b>Low</b>	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
<b>VFM</b>	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

Argyll and Bute Council  
Internal Audit Report  
February 2024  
FINAL

# Piers and Harbours

Audit Opinion: Reasonable

	High	Medium	Low	VFM
Number of Findings	0	0	8	0

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## 1. Executive Summary

### Introduction

1. As part of the 2023/24 internal audit plan, approved by the Audit & Scrutiny Committee in March 2023, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Piers and Harbours.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Background

4. Argyll & Bute Council (the Council) own and manages a number of piers and harbours. As a Statutory Harbour Authority the Council is responsible for running the 39 operational ports and harbours throughout Argyll, including the 7 main piers and harbours. In addition the Council operates 4 lifeline ferry service to island communities of Jura, Lismore, Luing and Easdale. Piers and harbours across Argyll see a lot of activity during the course of the year both through commercial and leisure use. Due to the location of Argyll, one of the main industries is fishing, along with the transportation of goods, vehicles and passengers via the sea. There are also many passenger ferries pass throughout our ports and harbours.
5. The Council, as a Statutory Harbour Authority is empowered to levy dues under Section 26 of the Harbours Act 1964 and Sections 25-33 of the Harbours, Docks and Piers Clauses Act 1847. Vessels that wish to use or are laid up at any of the Council piers and harbours are subject to paying dues. The Council receives most of its piers and harbours income from fees and charges from larger vessels and CalMac (CFL).
6. A schedule of rate and dues to be levied at piers, harbours and ferry slips under the Harbours Act 1964, is prepared and approved by the Council as part of the Annual Revenue Budget. Piers, harbours and ferry fees and charges are published on an annual basis on the Council's website.
7. Oban is the hub for lifeline transport connections to the islands, primarily Tiree, Coll, Kerrera, Lismore, Mull and also Colonsay, Barra and South Uist (winter). The Council has submitted an application to the Scottish Government for the extension of their Statutory Harbour Authority responsibilities to include the whole of Oban Bay. The Oban Harbour Revision Order (HRO), if successful, will increase income from Conservancy charges by a projected £250k per annum. (these are made on non-leisure craft and are to cover the costs of maintaining the port and the

duties required of the Harbour Authority (whomever that may be) in keeping the Port safe and open for business).

## Scope

8. The scope of the audit was to review charging and income arising from piers and harbour dues as outlined in the Terms of Reference agreed with the Head of Roads & Infrastructure in July 2023.

## Risks

9. The risks considered throughout the audit were:
  - Audit Risk 1: Failure to collect piers and harbour dues
  - Audit Risk 2: Failure to maximise income targets

## Audit Opinion

10. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
11. Our overall audit opinion for this audit is that we can take a reasonable level of assurance. This means that internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.

## Recommendations

12. We have highlighted 8 low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
  - In order to ensure consistency of practice, standardised policies and procedures should be put in place across all Council areas for the recording, collection and billing of fees and charges;
  - Calmac, the main ferry operator uses the Council's Piers and Harbours on a daily basis, with administratively intensive process in place for charging. The charging processes and procedures for CalMac ferries should be reviewed in order to streamline the process;
  - Consideration should be given to setting up SLA's or Harbour Access Agreements with the main commercial users of our piers and harbours;
  - Processes should be put in place to manage piers and harbours in the remote locations throughout the Council area, including procedures to identify the commercial leisure fleet/tour operators using the facilities to embark and disembark tourists;
  - A review of the management of the fishing fleet landing fee procedures should be undertaken with the Harbourmasters able to access information necessary to determine the correct fee to be levied. In addition, consideration should be given to obtaining confirmation of value of catch sold at market;

- Consideration should be given on how better to manage long term outstanding debt and the management of the fleet who continue to access the Council's facilities during a period of continued indebtedness;
- A review of piers and harbour dues should be undertaken as part of the budget setting process, whereby consideration should be given to identifying gaps in charges, increasing charges where appropriate and which have been benchmarked against other harbour authorities;
- Consideration should be given to publishing our fees and charges in a useable format to ensure they are readily available to the users of Council's facilities.

13. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

14. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 1 – Summary Assessment of Control Objectives

	<b>Control Objective</b>	<b>Link to Risk</b>	<b>Assessment</b>	<b>Summary Conclusion</b>
1	Policies and procedures are in place for the invoicing and collection of piers and harbour dues	Audit Risk 1	Reasonable	Whilst localised process and procedures are in place and are well understood for the collection of piers and harbour income there is no centralised comprehensive policy or procedure note that is consistently applied across the Council areas. CalMac, the main ferry operator uses the Council's Piers and Harbours on a daily basis, with administratively intensive process in place for charging. In addition there is no SLA or Harbour Access Agreements in place for the main users of the Council's facilities.
2	Robust records are maintained of all pier and harbour fees due	Audit Risk 1	Reasonable	Harbourmasters based at the Council's larger piers and harbours are able to record the use of the main facilities, however, a number of piers, slipways and harbours are in remote locations and difficult to manage in terms of use. In addition, there are no robust procedures in place to identify commercial tour vessels using our facilities potentially resulting in a loss of income for the Council. Fees and charges for the fishing fleet within the Council area are managed by the fishing fleet whereby they advise us of the value of their landings once the catch has been sold. There is no back

				up information provided to substantiate the value and it is generally paid through cash receipting or by cheque.
3	All income due to the Council in respect of piers and harbours are collected	Audit Risk 2	Reasonable	Piers and Harbours income is managed at a local level with a great deal of reliance placed on the local knowledge of the Harbour Master and staff. Debtor's accounts are raised by a members of Roads and Amenity staff who have remote access to the Sundry Debtors system. The outstanding debt owed to the Council at the end of June in respect of Piers and Harbours amounted to £143k. There are a number of long term outstanding debts and it was noted that in some instances there is continued use of our facilities by vessels who have outstanding debts dating back to 2019.
4	Procedures are in place for the consideration and setting of fees and charges	Audit Risk 2	Reasonable	Pier and harbour dues are set as part of the budget setting process. A report is prepared by the Executive Director responsible for Roads and Infrastructure Services and is presented to A&B Harbour Board. The report is then presented to the Policies & Resources Committee, with any proposed increase in the fees and charges included in the Budget Pack. The report is then presented to the full Council meeting for agreement. Pier and harbour dues are standardised charges and applicable across the Council area. Where most piers and harbours are used by ferry providers or the leisure industry, Campbeltown pier and harbour is predominantly a commercial harbour dealing with large vessels loading and unloading cargo therefore perhaps our current charging policies do not take into account the differences with other areas in Argyll. We reviewed the fees and charges agreed by the Council and compared these to fees and charges applied in other piers and harbour throughout Scotland, including Clydeport. We found that there were areas that the Council were perhaps undercharging and in others, not charging for at all in

				comparison to that of other harbour authorities.
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15. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

#### Policies and procedures are in place for the invoicing and collection of piers and harbour dues

16. Whilst localised processes and procedures are in place and are well understood for the collection of piers and harbour income there is no centralised comprehensive policy or procedure note that is consistently applied across the Council areas. We were provided with written procedures which had been brought together locally by Harbour Masters for use in their own local areas.

#### Action Plan 1

17. Calmac, the main ferry operator uses the Council's Piers and Harbours on a daily basis, with administratively intensive process in place for charging. In addition to standard charges, Calmac advise, through the use of a purchase order, the numbers of passengers, cars, coaches and commercial vehicles using the ferry service. A 5% commission fee is deducted from all users, providing a net fee due. A debtor's account is then processed by Council administration staff. We were advised that discussions are ongoing to consider how processes can be streamlined for Calmac and the Council.

#### Action Plan 2

18. A number of companies, including large fish farming businesses make use of our facilities on a regular basis, however, there are no SLA's in place. We were advised that work is currently being undertaken to put Harbour Access Agreements in place.

#### Action Plan 3

#### Robust records are maintained of all pier and harbour fees due

19. Throughout Argyll there are a number of unmanned piers, harbours and slipways which are used by the commercial leisure and fishing industry to land their catch or in the case of the leisure industry, pick up and land passengers visiting Argyll's remote and uninhabited islands. Harbourmasters based at the main piers and harbours are able to record the use of the facilities where they are predominantly based, however, a number of piers, slipways and harbours are in remote locations and are difficult to manage in terms of monitoring and use. In addition, there are no robust procedures in place to identify commercial tour vessels using our facilities potentially resulting in a loss of income for the Council.

#### Action Plan 4

20. Fees and charges for the fishing fleet within the Council area are managed by the fishing fleet whereby they advise us of the value of their landings once the catch has been sold. There is no back up information provided to substantiate the value and it is generally paid through cash receipting or by cheque. In addition, there are no robust records maintained of the fishing fleet operating throughout Argyll & Bute with many of the remote unmanned piers, harbours and

slipways potentially used by the fishing fleet. Harbour Masters previously had oversight of the fishing fleet catch and were able to maintain an overview of reasonableness of information provided on the value of the catch throughout the year, highlighting any large variations.

## Action Plan 5

### All income due to the Council in respect of piers and harbours are collected

21. Piers and Harbours income is managed at a local level with a great deal of reliance placed on the local knowledge of the Harbour Master and staff. Staff are based at the main Piers and Harbours throughout the Council area and have good knowledge of their facilities and users.
22. Debtor's accounts are raised by a member of Roads and Amenity staff who have remote access to the Sundry Debtors system. Administration staff receive instructions from the Harbour Master with regards to fees due. Ultimate control of debtor's accounts sits with the Head of Financial Services.
23. At the start of each month a debtor report is sent (including an aged debtors list), to the Admin Officer – Roads and Infrastructure services. All outstanding debts are followed up through a standard set of debtor procedures which outline the processes to be followed for outstanding debts. The Head of Governance and Law is responsible for effectiveness of recovery following transfer of debt to Legal Services for collection and also for ensuring that legal action is carried out within agreed timescales on all cases referred by Sundry Debt Team.
24. The outstanding debt owed to the Council at the end of June in respect of Piers and Harbours amounted to £143k. There are a number of long term outstanding debts and it was noted that in some instances there is continued use of our facilities by vessel(s) who have outstanding debts dating back to 2019.

## Action Plan 6

### Procedures are in place for the consideration and setting of fees and charges

25. Pier and harbour dues are set as part of the budget setting process. A report is prepared by the Executive Director responsible for Roads and Infrastructure Services. For the 2023/24 fees the report prepared was presented to the special meeting of A&B Harbour Board in December 2022 whereby the Harbour Board gave consideration to the report in respect of a necessary increase in fees and charges for the financial year 2023/2024. The Harbour Board decided to recommend to the Council, when setting the fees and charges for 2023/2024 that it approves an increase to piers and harbours fees and charges of 5%, over and above an inflationary increase which would be ring fenced to develop the Council's marine infrastructure. The Council budget pack was presented to the Policy & Resource Committee in February 2023 and it was agreed to refer consideration of the Budgeting Pack 2023-24 to the Council meeting on 23 February 2023. The budget pack outlined the proposal for Harbour Fees to be increased by a total of 11%. This 11% increase is split between a 6% general inflationary increase and additional 5%. This additional increase over and above the general inflationary increase is estimated to generate additional income of £0.419m".
26. Piers and harbour dues are standardised charges applicable across the Council area. Where most piers and harbours across the Council area are used by ferry providers or the leisure industry, Campbeltown pier and harbour is predominantly a commercial harbour.

27. We reviewed the fees and charges agreed by the Council and compared these to fees and charges applied in other piers and harbour throughout Scotland, including Clydeport. It was found that there were potential gaps in terms of:

- Campbeltown is predominantly a commercial port with a large number of large commercial vessels, particularly cargo vessels, operating from the Pier. In comparison with other ports it would appear that the Council's fees and charges are lower, in particular rope handling fees. It was highlighted that if Harbourmasters were required to attend the pier out of hours to bring a vessel onto the pier, the rope handling fees, at times, did not cover the costs of the overtime for staff;
- Throughout Argyll, at times, there is a large amount of fishing gear and creels left on the piers and slipways, often in the more remote facilities which are not easily managed. It is an ongoing problem for staff clearing the areas and often the fishing gear and creels subsequently are placed back on the facilities. Other harbour authorities charge for the storage of fishing gear and creels;
- There is a growing desire for cruise ships, large and small to visit key locations throughout Argyll. Unlike other harbour authorities, there is currently no fee charged for vessels conveying their passengers ashore and tying up alongside our slipways and piers. In addition, where security is provided at the main harbours for large cruise ships conveying their passengers ashore, we do not currently charge for this service.

**Action Plan 7**

28. Harbour fees and dues are published on the Council website on an annual basis following being agreed and set at the Council's budget setting meeting, however, these are not in a format that can be easily downloaded.

**Action Plan 8**

## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	1	<p><b>Processes and Procedures</b></p> <p>Whilst localised process and procedures are in place and are well understood for the collection of piers and harbour income dues there is no centralised comprehensive policy or procedure note that is consistently applied across the Council areas.</p>	Inconsistencies in practice across the areas within the authority's geographical boundary.	Produce a 'Policy' for inclusion in the MSMS.	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> 30 September 2024</p>
Low	2	<p><b>CalMac Charges</b></p> <p>Calmac, the main ferry operator uses the Council's Piers and Harbours on a daily basis, with administratively intensive process in place for charging.</p>	Inefficiencies in processes	Have an agreement (financial) in place by the end of the year.	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> November 2024 for approval at December Harbour Board</p>
Low	3	<p><b>SLA's</b></p> <p>A number of companies, including large fish farming businesses make use of our facilities on a regular basis, however, there are no SLA's in place. We were advised that work is currently being undertaken to put Harbour Access Agreements in place.</p>	Potential lack of understanding of services expected and provided	<p>Any agreement must be supported by both parties and Argyll &amp; Bute Council legal department. May tie in with No 2 above. Provide a report to HoS and Director with options.</p> <ol style="list-style-type: none"> <li>1. Identify potential partners</li> <li>2. Negotiation period</li> <li>3. Legal support in drafting agreement</li> </ol>	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> November 2024 for approval at December Harbour Board</p>
Low	4	<p><b>Remote Piers and Harbours</b></p> <p>Harbourmasters based at the main piers and harbours are able to record the use of the facilities where they are predominantly based, however, a number of piers, slipways and harbours are in remote locations and are difficult to manage in terms of use. In addition, there are no robust procedures in place to identify commercial tour vessels using our facilities potentially resulting in a loss of income for the Council.</p>	Potential loss of income to the Council	Actionable evidence and enforcement will continue to be an issue where there are no Argyll & Bute Council personnel on site. Investigate issues and possible solutions with Harbour Masters and provide options for consideration in report to DMT.	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> 30 September 2024</p>



No	Finding	Risk	Agreed Action	Responsibility / Due Date
5	<p><b>Fishing Fleet</b></p> <p>Fees and charges for the fishing fleet within the Council area are managed by the fishing fleet whereby they advise us of the value of their landings once the catch has been sold. There is no back up information provided to substantiate the value and it is generally paid through cash receipting or by cheque.</p>	Potential loss of income to the Council	Investigate issues and possible solutions with Harbour Masters and provide options for consideration in report to DMT.	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> 30 September 2024</p>
6	<p><b>Management of Debt</b></p> <p>The outstanding debt owed to the Council at the end of June in respect of Piers and Harbours amounted to £143k. There are a number of long term outstanding debts and it was noted that in some instances there is continued use of our facilities by vessels who have outstanding debts dating back to 2019.</p>	Loss of income to the Council	Investigate with legal department recovery or right off options. Provide a report to HoS and Director with options.	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> 30 September 2024</p>
7	<p><b>Income Gaps</b></p> <p>We reviewed the fees and charges agreed by the Council and compared these to fees and charges applied in other piers and harbour throughout Scotland, including Clydeport. It was found that there were potential gaps.</p>	Potential gaps in income streams for the Council	Complete a review of potential new charges for Harbour Board approval in Fees and charges report	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> November 2024 for approval at December Harbour Board</p>
8	<p><b>Published Pier and Harbour Dues and Fees</b></p> <p>Harbour fees and dues are published on the Council website on an annual basis following being agreed and set at the Council's budget setting meeting, however, these are not in a format that can be easily downloaded.</p>	Lack of accessibility of information	Produce a 'Schedule of Harbour Charges' for Harbour Board approval	<p><b>Officer title:</b> Marine Operations Manager</p> <p><b>Date:</b> November 2024 for approval at December Harbour Board</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
<b>High</b>	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
<b>Medium</b>	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
<b>Low</b>	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
<b>VFM</b>	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**FLY-TIPPING SCRUTINY REVIEW**

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**1. SUMMARY**

- 1.1 The Fly-tipping scrutiny review commenced as per the 2021/22 scrutiny plan agreed by the Audit and Scrutiny Committee at their development session on the 27 April 2021 and concluded as per the 2023/24 scrutiny plan.
- 1.2 The initial Fly-tipping scrutiny panel comprised of Councillor Jim Lynch (Chair), Councillor Freeman and Councillor Vennard and concluded with Martin Caldwell replacing Councillor Freeman due to changes in Council membership in the intervening period. Support was provided by internal audit officers throughout.
- 1.3 Fly-tipping was chosen for inclusion in our scrutiny priorities for 2021/22 as it had been identified as an escalating national issue with Councils facing considerable costs to clear up the discarded waste. The Committee chose to re-visit this review in 2023/24 as insufficient reliable data was available at the time of the initial review and improvements had been implemented as a result of the interim report agreed at the 23 June 2022 meeting of the Committee.

**2. RECOMMENDATIONS**

- 2.1 Committee to agree the Draft Fly-tipping Scrutiny Report.
- 2.2 Committee to agree that the Fly-tipping scrutiny report to be presented to the Environment, Development and Infrastructure Committee for consideration.

**3. DETAIL.**

- 3.1 The agreed objectives of the scrutiny review were to:
  - ensure the council's systems record sufficient information to provide an indication of the extent of fly-tipping across the four administrative areas
  - ensure the Council's duty to investigate, clear and take appropriate enforcement action in relation to fly-tipping on public land is appropriately managed
  - ensure there is good collaborative working arrangements in place

- ensure that the Council's charging structure is fair and proportionate across all businesses.

3.2 Throughout this review two panel meetings were held to gather evidence.

- Panel one – Council's Head of Roads and Infrastructure Services and the Operations Manager with responsibility for the Environmental Wardens and Amenity Services
- Panel two – Operations Manager with responsibility for the Environmental Wardens and Amenity Services

3.3 We would like to extend our appreciation for the cooperation and assistance received from all witnesses invited to provide evidence over the course of the review.

3.4 Based on the information obtained during the early course of the review, an interim report including three initial recommendations was considered by the Committee. It was decided this review was a work-in-progress and should be re-visited when improvements had been made to provide more reliable datasets for analysis.

3.5 The Committee agreed to conclude the review as per the Scrutiny Plan for 2023/24 where two further recommendations were identified. The panel has identified a total of five findings specific to this review which are detailed in the report attached as appendix 1.

3.6 The report has been discussed with the officers and panel members involved in the review to confirm accuracy.

#### **4. CONCLUSION**

4.1 The Committee is requested to agree the attached report and agree the most appropriate Committee or other Council group for the Fly-tipping scrutiny report to be presented to for consideration.

#### **5. IMPLICATIONS**

5.1 Policy – None

5.2 Financial – None

5.3 Legal – None

5.4 HR – None

5.5 Fairer Scotland Duty – None

5.5.1 Equalities – protected characteristics – None

5.5.2 Socio-economic Duty – None

5.5.3 Islands – None

5.6 Climate Change – None

5.7 Risk – None

- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) – None

**Councillor Jim Lynch**  
**Chair of the Fly-tipping Scrutiny Panel**  
**14 March 2024**

**For further information please contact:**  
Paul Macaskill, Chief Internal Auditor, 01546 604108

**Appendices:**  
Appendix 1 – Fly-tipping Scrutiny Report

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# Argyll and Bute Council

## Scrutiny Report

February 2024

DRAFT

# Fly-Tipping

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## Contact Details

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## 1. Executive Summary

### Introduction

1. As part of Argyll and Bute Council's (the Council) 2021/22 scrutiny plan, approved by the Audit & Scrutiny Committee (the Committee) in June 2021, we have undertaken a scrutiny review of Fly-tipping.
2. Throughout this report references to 'the Panel' refers to the Vice-Chair of the Committee and two Committee members who conducted this review. They were:
  - Councillor Lynch (Panel Chair)
  - Councillor Freeman
  - Councillor Vennard
3. The Panel was supported by council officers who gave willingly of their time to help deliver the review. We would like to extend our appreciation for the co-operation and assistance received from all witnesses invited to provide evidence over the course of the review.

### Objectives

4. The agreed objectives of the scrutiny review were to:
  - ensure the Council's systems record sufficient information to provide an indication of the extent of fly-tipping across the four administrative areas
  - ensure the Council's duty to investigate, clear and take appropriate enforcement action in relation to fly-tipping on public land is appropriately managed
  - ensure there is good collaborative working arrangements in place
  - ensure that the Council's charging structure is fair and proportionate across all businesses

### Background

5. Fly-tipping is "the illegal deposit of any waste onto land, i.e. waste dumped or tipped on a site with no licence to accept waste", it affects the aesthetic appeal of an area and causes damage to the environment. Waste can include: general household items; larger domestic appliances and furniture; garden refuse and commercial refuse such as construction materials and tyres, sometimes waste materials may be hazardous to health, wildlife or the ecosystem.
6. Businesses and Individuals are responsible for disposing of their own waste, the Council is responsible for clearing waste from streets and public areas as set out in the Environmental Protection Act 1990. The Council has a target of five working days to clear fly-tipping and one day for hazardous waste. Clearance of fly-tipping imposes significant financial costs on national and local government, businesses and other organisations, many of these costs are ultimately borne by the public, either as taxpayers or customers.
7. The Council charges for disposal of commercial waste at civic amenity sites and also for larger item uplifts from the customer's property. There can be quite differing motivations resulting in fly-tipping behaviour such as economic savings from the avoidance of disposal fees/uplift costs, ignorance of services available or criminal activity. Successful countermeasures include waste management infrastructure, education/awareness raising and enforcement measures.

8. According to Zero Waste Scotland research in 2013, around 26k tonnes of material is fly-tipped across Scotland every year with an annual direct cost of £11 million, there were also indirect costs but these were difficult to quantify. Scottish Government and Marine Scotland published their litter strategies in 2014 and provide a collection of online resources with a focus on prevention and encouraging individuals to take personal responsibility. A fixed penalty of £200 for fly-tipping was also introduced at that time and if convicted this can rise to a maximum of £40k or 12 months imprisonment for the offender. Environmental Wardens will attempt identify the fly-tipping offenders with a view to issuing a fixed penalty, however, no fixed penalties notices were issued by the Council in the years 2019-20 and 2020-21.
9. Fly-tipping can be reported by visiting or phoning the Council's Customer Service Centre, instances can also be reported online via the Council's, Zero Waste Scotland's and SEPA's websites. The Council employs four Environmental Wardens who work in collaboration with partner organisations to deal with instances of fly-tipping, the organisation responsible for clearance will depend on the location, nature and content of the materials discarded and whether they are of a hazardous nature.
10. The tables below indicates the number of fly-tipping reports received by the Council's Customer Service Centre and the number of hours the wardens have spent on dealing with litter & fly-tipping in the years 2019-20 and 2020-21. (Hours expended by Environmental Wardens and additional Amenity Services employees to deal with fly-tipping were not recorded separately at the time of the review.)

Number of reports of fly-tipping received by the Council's Customer Service Centre:

	B & C		H & L		MAKI		OLI		Area Not specified		TOTAL	
	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20	20/21
<b>Incident service request</b>	70	72	127	140	48	33	40	57	0	0	285	302
<b>Enquiry only</b>	3	3	11	3	1	1	8	1	24	32	47	40
<b>Member Enquiry only</b>	1	0	0	0	0	0	0	0	0	0	1	0
<b>TOTAL</b>	<b>74</b>	<b>75</b>	<b>138</b>	<b>143</b>	<b>49</b>	<b>34</b>	<b>48</b>	<b>58</b>	<b>24</b>	<b>32</b>	<b>333</b>	<b>342</b>

Number of hours spent by wardens addressing litter/fly-tipping issues is as follows:

Area	2019/20			2020/21		
	Hours	% warden time	Recharge £	Hours	% warden time	Recharge £
<b>B &amp; C</b>	304.5	11.49	8,521.00	208.25	11.67	6,501.97
<b>H &amp; L</b>	223.75	11.87	6,261.32	450.25	29.25	9,452.43
<b>OLI</b>	344.75	18.97	9,647.33	302.75	24.52	14,057.66
<b>MAKI</b>	29.5	13.01	825.52	76.5	20.93	2,388.48
<b>TOTALS</b>	902.5		25,255.17	1037.75		32,400.54

11. Local Environmental Audit and Management System (LEAMS) has been the national performance indicator for street litter cleanliness since 2003/04. It is part of Keep Scotland

Beautiful (KSB), a registered charity set up to monitor issues such as litter, dog fouling, fly-tipping, fly-posting and graffiti and in partnership with Scottish Councils was originally developed to help meet obligations under best value using a combination of self and independent monitoring. The Council participates in this programme along with 30 other Scottish Councils by completing and submitting monthly self-assessments and six-monthly independent assessments. Below is an extract from the 2020-21 Local Environmental Audit and Management System (LEAMS) Report providing a summary of fly-tipping statistics and comparison with previous year, national and benchmarking club statistics. Associated commentary advised that there was a general localised hotspot issue with instances in other areas infrequently observed.

Table 1.

	Argyll and Bute Council 2020/21	Argyll and Bute Council 2019/20	National 2020/21	Benchmarking Club 2020/21
Sites impacted by fly-tipping	3.7%	3.3%	3.9%	2.2%

### Scrutiny Initiation Briefings – 02 November 2021 and 13 January 2022

12. In October 2021 scrutiny officers circulated a briefing paper to the Panel which provided background on fly-tipping. The Panel met to agree the scope and identify invitees to give evidence at a panel meeting.
13. The agreed scope was to:
- establish extent of fly-tipping problem in the Argyll and Bute area
  - assess compliance with duty to investigate, clear and take enforcement action
  - consider success of collaborative working
  - consider level of fees and charges and the possible correlation with fly-tipping incidents.
14. The Panel agreed that they should meet with appropriate representatives of the groups set out in Exhibit 1.

#### Exhibit 1 – Scrutiny Meetings

Group	Key Areas for Discussion
Council Officer(s)	<ul style="list-style-type: none"> <li>• Compliance with legislation and national guidance</li> <li>• records indicating the volume, content and extent of fly-tipping across the Council area</li> <li>• records indicating the time expended by Council officers and the associated costs to investigate, clear and take enforcement action</li> <li>• resourcing of the environmental warden service</li> <li>• appropriateness of charging structure to dispose of waste legally and whether these charges deter use of the service resulting in fly-tipping</li> <li>• measures taken to educate residents to reduce fly-tipping instances</li> <li>• outcomes and success measures of collaborative working</li> <li>• benchmarking with other Councils</li> </ul>

## 2. Scrutiny Meetings

### Scrutiny Meeting – Council Officers – 02 March 2022

15. The meeting consisted of the Head of Roads and Infrastructure Services and the Operations Manager who has responsibility for both the Environmental Wardens and Amenity Services. The key messages reflecting the views of the Council officers who attended, from this meeting are set out in Exhibit 2.

#### Exhibit 2 – Scrutiny Meeting 1 – Council Officers - Key Messages

Theme	Detail
Compliance with legislation	<p>The Council is legally required to clear waste fly-tipped on public land, there is a target of five days to do this and one day if the materials are considered to be harmful.</p> <p>LEAMS is the national performance indicator for street cleanliness, published reports indicate positive results for the Council.</p>
Extent of fly-tipping across Argyll and Bute	<p>Management considers that Argyll and Bute Council does not have the increasing issue with fly-tipping that is being experienced by other Councils, they are aware of only six incidents (not including commercial waste being placed in domestic waste bins or within public street bins) during the COVID-19 lockdown period.</p> <p>Incidents experienced are infrequent and take up a small percentage of the environmental warden's time.</p> <p>Waste is mostly composed of construction materials, tyres, white goods and other larger household items, there can also be seasonal materials such as gardening waste. Other instances occur where bins are overflowing and waste is left beside them.</p> <p>Reports of fly-tipping are received via the Council's Customer Service Centre and passed to Roads and Infrastructure Services for action. Wardens will investigate the location as soon as possible to avoid escalation of an occurrence.</p> <p>Some reports received relate to materials fly-tipped on private land, however, this is the responsibility of the landowner who will have to make arrangements and cover costs associated with its removal. In general, private landowners are not pursued to clear the waste unless it is positioned near Council land and it is likely to encroach.</p>
Record-keeping	<p>An Environment Agency system called "Flycapture" was used to record fly-tipping data between 2009 and 2014, however, this system was withdrawn from use in 2014 and no alternative has been implemented for recording of data.</p> <p>Wardens and operational supervisors are aware of hotspots for fly-tipping but these are not recorded.</p>

	<p>The Customer Service Centre reports indicate that 285 incidents of fly tipping were received in the year 2019-20 and this raised to 302 in the year 2020-21. Service management are aware of only six incidents of fly-tipping during the lockdown period of 2020 and consider there may be inconsistencies in the classification being used by the Customer Service Centre staff when recording information received, some calls may have been passed to Environmental Health or SEPA to action depending on the materials involved. Some of these reported incidents may include misuse of domestic general waste bins and misuse of street bins by commercial operators. Additionally, these may include the misuse of recycling at bring sites, generally glass recycling, with numerous incidents highlighted despite the collection date being imminent. There are also incidents where private and agricultural land have been collated.</p> <p>There was insufficient detail to provide the number of instances per 10k population to perform a comparison across the Council's four administrative areas. Management considers that all areas are facing similar problems.</p> <p>Warden's timesheets have recently been adapted to separate fly-tipping from other duties to provide a better indication of the time expended responding to fly-tipping incidents.</p>
Measures taken to prevent fly-tipping	<p>A fixed penalty of £200 was introduced in 2014, if the offender is convicted this can rise to £40k or 12 months imprisonment.</p> <p>The Council participates in national campaigns run by Zero Waste Scotland and Keep Scotland Beautiful.</p> <p>Wardens monitor hotspots and visit fast food outlets and schools to provide educational materials and discuss issues of littering, fly-tipping and dog fouling.</p>
Warden Resources	<p>Due to budget savings in 2018-19, Environmental Wardens were reduced from nine to four, they are located across the Council area as follows: one in Helensburgh and Lomond (HL), one in the Oban Lorn and the Isles (OLI) and two in Cowal and Bute (CB). Mid-Argyll, Kintyre and Islay (MAKI) is covered by the environmental wardens located in CB and OLI. (The locations of these four wardens is based on the council's selection for redundancy criteria.) Four seasonal staycation wardens are also recruited over the tourist season.</p> <p>Travel time expended by the Environmental Wardens to cover the MAKI area is significant, however, It is unclear from the information provided if this coverage is sufficient.</p>
Collaboration with partner organisations	<p>The Council works very closely with the Scottish Environment Protection Agency (SEPA), Police Scotland, National Farmers Union (NFU) and Registered Social Landlords (RSLs).</p>

	<p>Environment Wardens and Police Officers jointly patrol areas with regards to littering and fly-tipping, members of the NFU are also brought on board where issues concern the protection of livestock.</p> <p>The Council works well with partnership organisation at all times and particularly well when new accommodation is being built so that any difficulties servicing waste can be identified and resolved prior to issues arising.</p> <p>Successful partnership arrangements have been in place with organisations to recycle or reuse items such as furniture and bicycles. The Mull and Iona Community Trust (MICT) is particularly well established and resells items from their premises in Craignure, The Group for Recycling in Argyll and Bute (GRAB) Trust collects items from containers at the RENEWI Waste Disposal site and the Kintyre Recycling Ltd resells items from its premises in Campbeltown and repairs discarded and donated bikes for lending or reselling. MICT wardens have also acted as corroborating officers to save our Environment Wardens having to travel to Mull.</p> <p>The Council also works very closely with the National Park Authority as they operate within our boundaries.</p> <p>Two previous partnership arrangements were less successful based at the Blackhill Civic Amenity Site in the Helensburgh area, unfortunately items were not being taken away for deployment and break ins and damage occurred at the site.</p> <p>There is also some joint working with West Dunbartonshire Council as a neighbouring authority but there were some legalities regarding responsibilities, this will be revisited prior to the start of the new season to discuss ways of assisting each other. There are also some discussions on potential joint waste transfer stations as we progress towards the Biodegradable Municipal Landfill ban that comes in to force in December 2025.</p> <p>The RENEWI contractors and Council officers have been working together to manage commercial waste being deposited in domestic waste facilities at the civic amenity sites to avoid charges. It can be quite difficult for the site operatives to determine if waste is commercial or domestic, service users may be challenged by the site operative who may follow-up to determine whether they are a legitimate private user.</p> <p>Management is always prepared to enter discussions with organisation regarding any future partnership arrangements.</p>
<p>Cost to Council to recover fly-tipping Vs waste disposal and uplift</p>	<p>Commercial waste disposed of at a civic amenity site is chargeable whereas domestic waste is free. Special uplifts are chargeable at both domestic and commercial premises although there are different rates for these.</p> <p>Council operated waste disposal sites require commercial customers to purchase a permit and submit a ticket each time the facility is used, where</p>



charges to customers	<p>RENEWI operates the site, a commercial arrangement is in place between them and the customer and this is covered in the Public Private Partnership (PPP) contract between the Council and RENEWI.</p> <p>The Council would have to cover the cost of taking waste materials to landfill if charges for special uplifts were reduced, this would be detrimental from a business point of view. There is also a landfill tax that must be paid for every tonne of waste sent, this is set at £98.60 for the 2022/23 tax year, and this in addition to tipping and processing costs would be significant. A decrease in charges for disposal of waste would result in an increase in the volume being sent to landfill which is against Scottish and UK Governments aspirations in reducing waste to landfill.</p> <p>Council management considers current fees and charges are set at an appropriate level and should not be reduced.</p>
Deterrents	<p>Wardens check the fly-tipped waste for any indication of ownership such as mailing address prior to removing for disposal if size permits, larger items require larger vehicles used by Operations. If ownership can be determined a fixed penalty can be enforced. An example includes a landscape gardener who had been identified as an offender, as news of this was cascaded across that area there has been no recurrence of fly-tipping.</p> <p>CCTV has been used at waste disposal sites and at temporary locations to collect information to follow-up on where appropriate. There is a lengthy process and specific training required to implement use of CCTV, the duration of use must be clearly stated and recorded.</p> <p>Local Authorities are not permitted to use Automatic Number Plate Recognition (ANPR) devices in car parks and it is not clear whether they can be used in waste disposal sites as they are more commonly used in un-manned facilities. Health and Safety requires that waste disposal sites are manned.</p> <p>DVLA information can be requested where car parking fines are not paid within 15 days but there are stringent forms to fill in to justify checking up on someone's number plate. Staff at waste disposal sites take notes of number plates to check if they attend the site on a regular basis, this can only be used if criminal activity is suspected and Police Scotland would be contacted.</p>

### Scrutiny Meeting – Operations Manager – 06 February 2024

16. The meeting was attended by the Operations Manager to provide an update on the progress made in respect of data collection and provision of management information. The key messages reflecting the views of the Operations Manager are set out in Exhibit 3

## Exhibit 3 – Scrutiny Meeting 2 – Operations Manager - Key Messages

Theme	Detail
Data collection from Customer Service Centre	<p>Data provided by the Customer Service Centre (CSC) team for the years 2021-22 and 2022-23 indicated a similar number of fly-tipping reports from members of the public as previously reported for 2019-20 and 2020-21.</p> <p>A revised report utilising alternative fields within the CSC system provided a more accurate data set for the year 2022-23 as it was able to remove those noted as duplicates or invalid, however, detailed analysis revealed additional discrepancies including further duplication and invalid/irrelevant entries.</p> <p>Information provided to the CSC relies heavily on the customer's interpretation of what they have observed and whether it is located on public or private land.</p> <p>CSC staff have received additional training in the recording of fly-tipping reports received via telephone or face-to-face.</p> <p>There has been no enhancement to the means of reporting fly-tipping incidents via the Council's digital platform to help guide customers when submitting reports on internet web forms.</p>
Management Information from worksheets	<p>Employee worksheets have been updated to enable separate recording of litter, fly-tipping and LEAMS work to provide management with a more accurate view of time spent and costs involved when undertaking work within these categories.</p> <p>The improved management information has been beneficial to the service and will be used in developing the Warden service.</p> <p>Officers and partner organisation in remote communities have been trained in delivery of some elements of the Warden's work to reduce travel time.</p> <p>The volume of assisted collections and income generated has remained consistent over recent years despite inflationary increases in charges made.</p>
Prosecutions across Scotland	<p>A recent FOI request made by journalists indicates that out of early 300k incidents of fly-tipping reported across Scotland, only 51 cases have been sent for prosecution, the majority of which were received in Glasgow.</p>
National <a href="#">Litter and Fly-tipping Strategy</a> and <a href="#">Action Plan</a>	<p>Scottish Government has prepared a new National Litter and Fly-tipping Strategy and Action Plan outlining a collaborative approach involving national and local Government, businesses, the third sector, communities and individuals. This strategy sets out a refreshed approach to tackling litter and fly-tipping in order to protect and enhance Scotland's environment; ensure safer and cleaner communities and contribute to a thriving circular economy.</p> <p>The Council has been involved in discussion with Scottish Government regarding implementation of the new Strategy and action plan.</p>

	<p>There is potential for the Council to collaborate further across Council boundaries with other authorities and organisations to share resources and enhance enforcement actions.</p> <p>There is potential for the Council to engage with Keep Scotland Beautiful to promote the new strategy and raise awareness within communities.</p>
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### 3. Overall Conclusion and Findings

17. Based on the information obtained over the course of the review the Panel has concluded that:

- The Council is fulfilling its duty to keep public areas clean and have received positive outcomes in their LEAMS Report.
- There is insufficient reliable data available from the CSC system to form an opinion on the extent of fly-tipping across the Council's four administrative areas.
- It is unlikely that reliable data will become available from the CSC system due to the individual interpretations of incidents reported by members of the public.
- Improvements have been made in the recording of time spent investigating, clearing and enforcement of fly-tipping incidents to provide accurate management and cost information.
- The current charging structure is appropriate.
- The Council has good collaborative working arrangements with external organisations.

18. The review has identified three findings which have been discussed with management. These, and the management responses, are detailed in Exhibit 4.

#### Exhibit 4 – Findings

No.	Recommendations	Management Response	Current Position
1	Service Management should liaise with the Customer Service Centre to establish the root cause of conflicting information presented to the panel for review and consider a consistent approach for recording information received in future.	A meeting with Customer Service Centre Management has been arranged to discuss this week ending 3 June 2022.	Meetings have taken place with the Senior Customer Service Centre Agent to implement improvements in the way that information is recorded at the point of contact with the customer. Unfortunately this only addresses the telephony and face to face interactions, to date, there has been no progress in refining fly-tipping reports that are received via the Council's digital platform.
2	Records pertaining to fly-tipping incidents and associated costs should be maintained and made available for review.	More accurate information will be maintained on the Wardens and Local Environment Teams	Litter and fly-tipping work allocated to employees are now shown separately on worksheets to allow more

No.	Recommendations	Management Response	Current Position
		worksheets to provide this information in future.	specific analysis to take place.
3	Once the extent of fly-tipping has been established, a cost-benefit analysis should take place to consider whether the Council's charging structure remains appropriate.	This will be reviewed following outcome of actions 1 and 2 above in advance of the February 2023 budget preparation.	Robust figures regarding the number of fly-tipping incidents managed by the Council have not yet been established to provide a suitable analysis, however, management retain the view that fly-tipping incidents are low across Argyll and Bute and the current fees and charges are set at an appropriate level and should not be reduced.
4	Service Management should liaise with the Council's Customer Service Centre and Web Team to establish the root cause of invalid information entering the CSC system via digital services and consider enhancements to webforms that will enable more robust gathering of information from the public.	Future discussions will be programmed to ensure more accurate information and less duplicated information is collated.	
5	Consideration be given to proactively use the Council's media channels to outline the effects of fly-tipping and the consequences of such actions on the environment in Argyll and Bute. In addition, that the penalties for such behaviour have increased from £200 to £500 recently, which may help to bring people's attention to the subject and also the penalties that could be levied if caught.	Together with proactively using the media channels available to the Council, the service will look to further develop the services of agencies including Police Scotland and Keep Scotland Beautiful.	

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**SCRUTINY – IDENTIFICATION OF A TOPIC 2024-25**

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**1. INTRODUCTION**

- 1.1 The objective of the report is to provide the Audit and Scrutiny Committee (the Committee) with an update arising from the recent engagement on potential scrutiny options in order to identify a topic to take forward in the context of the Scrutiny Manual and Framework as part of the Committee's scrutiny role for 2024-25.

**2. RECOMMENDATIONS**

- 2.1 The Audit and Scrutiny Committee is asked to:
- 2.1.2 Consider and determine whether the topic for 2024-25 will be a review of the Council's Complaints process based on the responses provided to the Chief Internal Auditor as part of the recent communications with the Committee and, in accordance with the agreed process of assessment which is detailed in the Scrutiny Framework and Manual.
- 2.1.3 In the event of the Committee being minded to approve the review of the Council's Complaints process as the area identified for scrutiny in 2024-25, appoint a Panel Chair and two further Members to form a Scrutiny Panel for the review which will commence within financial year 2024-25.

**3 DETAIL**

- 3.1 The development of the scrutiny function has progressed successfully, and in the new format, a total of three reviews have been undertaken. The Committee have found such reviews helpful in discharging their role in relation to scrutiny and at the last meeting sought to identify a topic for 2024/25 financial year which would be of benefit to the Council. It is also important to balance the Committees work in relation to scrutiny with its primary duty of which is to seek the successful delivery of the agreed Internal audit Plan.
- 3.2 There are no minimum or maximum number of scrutiny reviews that require to be undertaken but such reviews should flow from identifiable 'issues' and where there is a remit, take cognisance of the limitations. A significant amount of resource can be expended on such reviews and as a section we need to balance this with available staff resources. In terms of balance in 2024/25 it would be helpful for the Committee to consider that one review will be undertaken during the financial year, allowing staff resources to be balanced between this type of work, internal audit work and planned professional training for a member of staff normally involved in scrutiny work.
- 3.3 In 2024/25 the Chief Internal Auditor (CIA) plans to engage with the

Committee in identifying scrutiny work for 2025/26 and which can be agreed by the Committee before the start of that financial year. This process will give the opportunity for scrutiny work to be planned in sufficient time and before the start of the relevant financial year the review will be undertaken.

***Approach to Scrutiny previously agreed by the Committee– Context and Background***

3.4 In order to provide further and more context to the development of ‘scrutiny reviews’; a Development Session was held in April 2021 to establish the process to be adopted by the Committee to identify and prioritise potential scrutiny topics and of the overall approach adopted to scrutiny topics which has been a combination of panel reviews and ‘scrutiny lite’ where relevant officers have been asked to present at Committee or at Development Sessions on topics of interest to the Committee.

3.5 In particular the CIA asked the Committee to consider some key questions. These, and the Committee responses, are summarised in the table below.

3.6

Question	Committee Response
Should Scrutiny topics originate from all members and senior officers or from Committee members?	There needs to be a degree of flexibility to change topics and to be able to react quickly to an ever changing environment.  It is for the Committee to determine scrutiny topics.
If topics originate from the committee should this be via discussions at Committee or development sessions?	We may need to meet as a Committee more often however these could be less formal meetings and held virtually. Further thought can be given to this as to some extent it will depend on the number of emerging topics to be considered for scrutiny.
Do we still need an annual scrutiny plan or should topics for scrutiny ‘emerge’ as the year goes by?	We don’t need a plan we should allow items to emerge.
Do we still need the detailed prioritisation process?	The prioritisation process is there as a tool if we need it but we don’t need to use to assess every scrutiny topic.
Do we have the right balance between ‘full blown’ panel approach vs Scrutiny Lite?	There has been value in having the full panels but these are resource intensive and we should look to make use of a scrutiny lite approach where appropriate. Once a topic is decided then the Committee can decide what the best Scrutiny approach to adopt is.

3.7 The CIA has reviewed and updated, where identified, the Scrutiny Framework and Manual in 2023/24 and will do so on an annual basis in order that the approach to scrutiny work is both focused, appropriate and reflects the best approach taking cognisance of the Committee’s views.

#### **4. CONCLUSION**

- 4.1 The scrutiny process continues to evolve as each review is progressed. Members and officers continue to identify areas for improvement and these will be addressed as they are raised. It is planned one scrutiny topic will be taken forward for inclusion in the scrutiny work plan for 2024-25, specifically, the Council's Complaints Process. The scope of the review will be determined at the outset with the involvement of the Head of Legal and Regulatory Support and also the Governance, Risk and Safety Manager.

#### **5 IMPLICATIONS**

- 5.1 Policy – None
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – protected characteristics – None
- 5.5.2 Socio-economic Duty – None
- 5.5.3 Islands – None
- 5.6 Climate Change – None
- 5.7 Risk – None
- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) – None

**Paul Macaskill**  
**Chief Internal Auditor**  
**14 March 2024**

**For further information contact:**

Paul Macaskill, Chief Internal Auditor (01546 604108)

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**INTERNAL AUDIT PLAN 2024-25**

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**1. INTRODUCTION**

1.1 This report introduces the Internal Audit Plan 2024-25.

**2. RECOMMENDATIONS**

2.1 To agree and endorse the Internal Audit Plan 2024-25 (Appendix 1).

**3. DETAIL**

3.1 The Public Sector Internal Audit Standards (PSIAS) stipulate that the Council's internal audit plan must be risk based and focused on governance, risk and controls to allow the Chief Internal Auditor (CIA) to provide an annual opinion on the Council's internal control framework, based on the work undertaken during the year. This annual opinion informs the Annual Governance Statement.

3.2 The Annual Audit Plan is shown at Appendix 1. The creation of the plan gave consideration to a number of factors including:

- the audit universe risk assessment which is based upon a matrix taking account of scores for each potential audit area in respect of materiality, sensitivity, time elapsed since it was last subject to audit and the overall audit assessment when it was last reviewed
- the Council's strategic risk register and operational risk registers
- input from Executive Directors, the Health and Social Care Partnership (HSCP) Chief Officer, Heads of Service and Audit and Scrutiny Committee members
- a consideration of the need to provide audit coverage across all Heads of Service, the HSCP and LiveArgyll
- significant changes within the Council (i.e. new systems, new policies)
- wider issues in the public sector environment
- an internal audit team meeting to discuss possible areas of focus based on cumulative audit knowledge

3.3 The Audit plan is broken down into 3 main areas which are:

- Service department reviews
- Continuous monitoring programme
- Other Activity

3.4 Service department reviews include auditable units within the audit universe which are specific to an individual department. Our continuous monitoring programme includes a number of auditable units which were historically subject to individual annual audits. These areas are now tested on a regular recurring basis with control weaknesses reported by exception. Internal Audit also

undertake other activities during the year including verification work and following up on previous internal audit recommendations for improvement.

- 3.5 An indicative outline scope is given for each of the audit reviews. Full terms of reference will be discussed and agreed with the relevant Head of Service as part of the planning process for each audit.
- 3.6 The plan is based on an estimated available 658 audit days with suitable contingency factored in. The plan remains fully flexible, to accommodate changes in the Council's risk profile and /or emerging risks.
- 3.7 Feedback on the draft plan has been obtained from the Heads of Service, the Chief Officer of the HSCP and the Live Argyll General Manager. This has been incorporated into the plan included as appendix 1 to this paper

#### **4. CONCLUSION**

- 4.1 The annual audit plan is risk based and is aligned to the Council's long term outcomes, corporate objectives and strategic risk register. The plan also incorporates continuous monitoring and verification activity.

#### **5. IMPLICATIONS**

- 5.1 Policy - None
- 5.2 Financial - None
- 5.3 Legal - None
- 5.4 HR - None
- 5.5 Fairer Scotland Duty - None
  - 5.5.1 Equalities – protected characteristics – None
  - 5.5.2 Socio-economic Duty – None
  - 5.5.3 Islands – None
- 5.6 Climate Change - None
- 5.7 Risk – Delivery of an effective internal audit function and plan should help reduce the Council's risk exposure
- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) - None

**Paul Macaskill,  
Chief Internal Auditor  
14 March 2024**

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#### **APPENDICES**

Appendix 1 – Internal Audit Plan 2024-25

# ARGYLL AND BUTE COUNCIL

COMHAIRLE EARRA-GHÀIDHEAL AGUS BHÒID



Isle of Kerrera



## INTERNAL AUDIT PLAN 2024-25

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## Contact Details

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## Definition of Internal Audit

1. Internal auditing 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.

*Source: Section 4: Definition of Internal Auditing: Public Sector Internal Audit Standards*

## Purpose of Internal Audit

2. The main objective of internal audit is to provide a high quality, independent audit service to Argyll and Bute Council (the Council) which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, internal audit will also:
  - support the S95 Officer and the Audit & Scrutiny Committee (the Committee) in the discharge of their duties
  - support the Council's Monitoring Officer
  - support the Council's anti-fraud and corruption arrangements
  - provide guidance on control implications for new or changed systems where appropriate
  - support the Council and the Strategic Management Team during key transformational/ change projects.

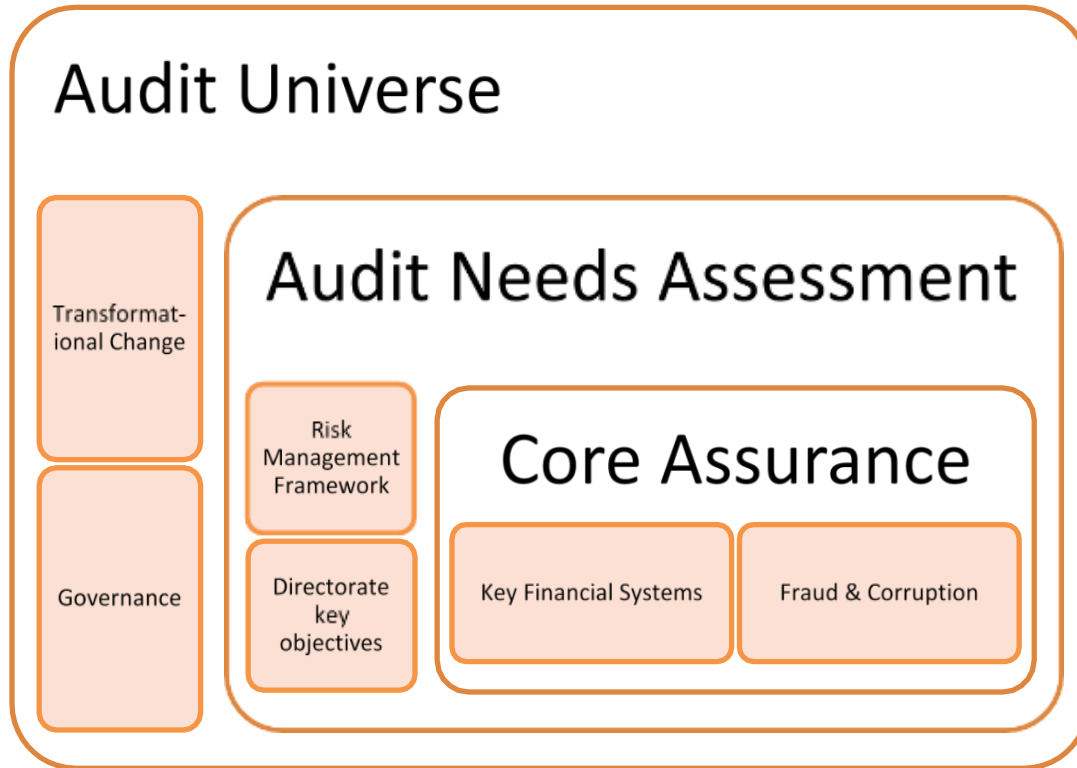
## Public Sector Internal Audit Standards (PSIAS) Requirements

3. PSIAS sets out the requirement for the:
  - Chief Internal Auditor (CIA) to prepare a risk-based audit plan which takes into account the Council's strategic objectives, associated risks and the views of senior management and the Committee
  - CIA to review and adjust the plan as necessary in response to changes in the Council's business, risks, operations and priorities
  - audit plan to incorporate or be linked to a strategic or high-level statement of how internal audit will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.

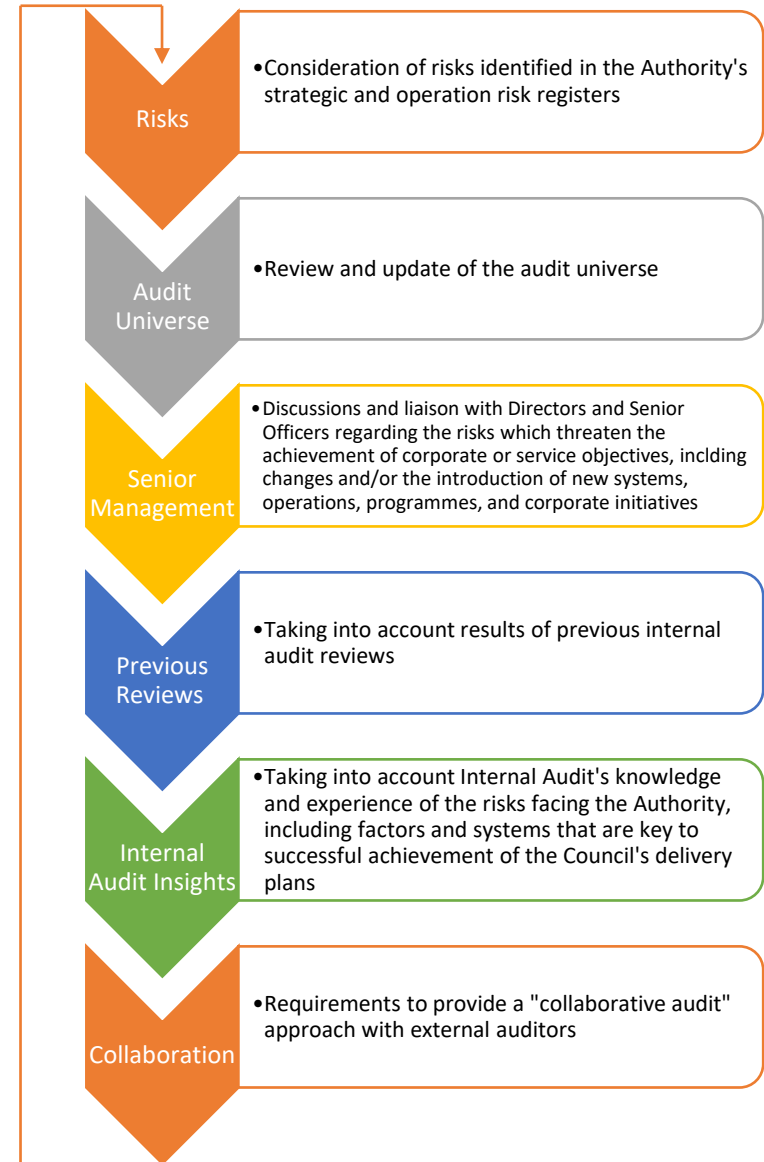
## Risk Assessment

4. Internal audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review contained within an audit universe which is subject to formal review, at least annually. This provides a layered approach to obtaining a sufficient profile of the organisation covering Core Assurance, Audit Needs Assessment and Audit Universe. The audit universe includes all significant activities and systems that contribute to the achievement of the Council's priorities and objectives. This is displayed in the diagrams on page 3 of this report.
5. The audit universe is risk assessed each year to help determine the annual audit plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Note however, that the audit universe, whilst a key factor, is not the only consideration when determining the audit plan. Senior management have been consulted on priority areas for review, and cognisance is taken of the plans of external audit and other statutory agencies, in order to avoid duplication, and increase potential for cross reliance.
6. The audit universe risk assessment is based upon a matrix taking account of scores for each potential audit area in respect of:
  - materiality (based on expenditure)
  - sensitivity (Control Environment, Management Concerns, Political Sensitivity, Regulatory Compliance, System Complexity and Extent of Changes – these help to provide a wide understanding of the risks and implications to the organisation in all of its functions)
  - time elapsed since it was last subject to review
  - overall audit assessment when it was last subject to review.
7. We employ a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention. Furthermore, our reliance and successful operation is founded upon the need for strong Information Technology arrangements which support key systems across the Council, therefore, it is appropriate that sufficient audit coverage is scheduled in this area based on risk and discussions with management. There has been increased risk across business of cyber-attacks and the substantial implications this could have for those who have been affected by such attacks. We continue to closely monitor this risk and also the any lessons that may arise from the recent cyber-attack at Comhairle nan Eilean Siar (Western Isles Council).

8. The matrix gives an overall “score” for each area that is used to prioritise audit reviews.



The audit plan for the year has been created by:



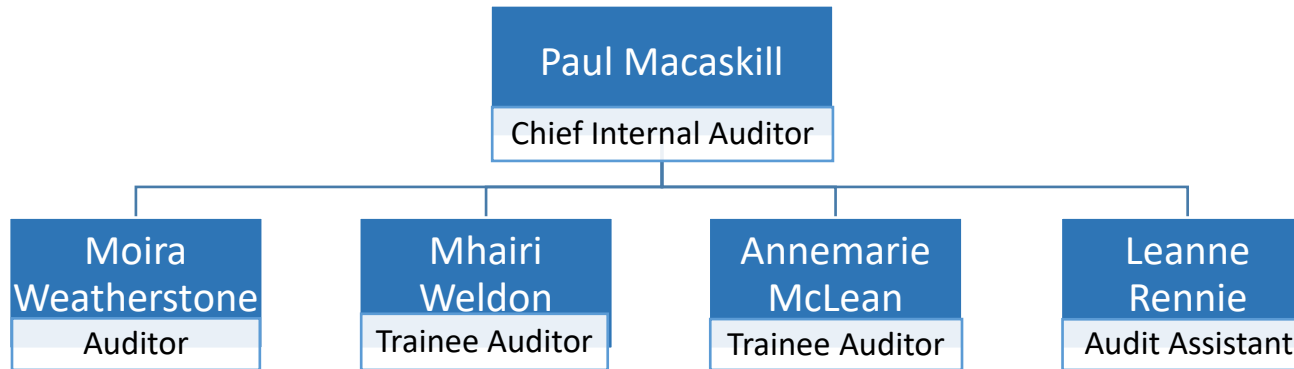
## Strategic Risks

9. The Strategic Risk Register records the Council's own assessment of the most potentially damaging risks and their likelihood of occurrence. This document is used to inform the annual audit plan with identified reviews cross referenced to the strategic risk register. An abridged version of the strategic risk register is included in appendix 3 for reference. In addition, Operational Risk Registers are reviewed to identify high risk areas and which we take cognisance of in assessing and scoring the Audit Universe in terms of wider corporate risk which helps to provide a more comprehensive overview of the organisation.

## Resourcing the Plan

10. Internal audit has a core establishment of five members of staff, we are currently operating with four full time equivalent officers, one contracted and one casual member of staff, three of which are professionally qualified. Available audit days have been calculated as 758 days (including management and administration time), following the deduction of annual leave, training, a small provision for sickness, 50 days to deliver scrutiny work and 50 days to deliver the HSCP internal audit function. This 758 days total includes the CIA's input to audit reviews and the running of the internal audit team and a contingency in the event of unplanned work.
11. Given the range and complexity of areas to be reviewed it is important that suitably qualified, experienced and trained individuals are appointed to internal audit positions. The CIA, in compliance with PSIAS holds two appropriate professional qualifications (CIPFA and Institute of Internal Audit). Also within the internal audit section we have one contracted CIPFA qualified team member, one casual member of staff who is CIMA qualified, one AAT and Certified Internal Auditor who is studying for the Chartered Internal Auditor qualification, and one training for CIPFA. Two members of staff within the Internal Audit section are undertaking professional training and one further within the Counter Fraud Team – It is anticipated that such training programs will result in formal qualifications which will address the interim staffing position.
12. Internal audit officers identify training needs as part of their annual appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development.
13. Through an assessment of the mix of knowledge, skills and experience of the audit team, it is considered that the available resources are the minimum to achieve the work outlined in the plan.





## Confirmation of Independence

14. PSIAS requires internal audit to communicate, on a timely basis, all facts and matters that may have a bearing on our independence. We can confirm that the staff members identified to complete the reviews in the 2024/25 annual audit plan are independent and objectivity is not compromised.

## 2024/25 Internal Audit Plan

15. Appendix 1 presents the internal audit plan for 2024/25. As our internal audit approach is informed by risks, where appropriate, the plan is cross-referenced to the strategic risk register contained at appendix 3. Appendix 3 also demonstrates the strategic risks that were subject to audit focus in 2023/24 and those we are projecting to cover in the periods 2024/25 and 2025/26. This provides assurance to the Committee that key strategic risks are subject to audit coverage over a three year cycle. Note that the projected timescales in appendix 3 are provisional as these may change to reflect changes in the Council's risk environment.
16. Appendix 2 presents the 2024/25 internal audit plan in a different format to provide assurance to the Committee that it provides appropriate coverage across all the Council's directorates and head of service's areas of service delivery.

## Monitoring the Plan

17. Internal audit reports on performance to the Committee on a quarterly basis including full copies of audit reports issued, progress implementing audit recommendations, performance against agreed performance indicators and a summary of all internal audit activity in the previous quarter.

## Quality Assurance and Improvement Programme

18. The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme (QAIP) based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
19. The Scottish Local Government Chief Internal Auditors' Group (SLACIAG) has developed a framework for external assessments to be undertaken by member authorities of SLACIAG on a broadly reciprocal arrangement utilising a peer review option. The Council's internal audit team has participated in this framework and an external validation of its own self-assessment took place during 2022/23 which concluded that we demonstrated full compliance with PSIAS in all 14 areas of the assessment. The next scheduled external assessment is due to be undertaken in 2028. The internal audit service continues to identify ways of improvement in order that it contributes effectively to the governance of the Council and provides appropriate levels of assurance to those charged with governance, specifically, the Audit and Scrutiny Committee.
20. The internal audit team review their QAIP on a quarterly basis and report it to the Committee as part of the standard agenda item 'Internal Audit Summary of Activities.' The programme details all improvement activity being progressed by the team.

## Conclusions

21. The pressures, demands and expectations on Local Authorities in Scotland have increased year on year on the backdrop of challenging financial settlements in which to deliver key services to those across Scotland including Argyll and Bute. This Internal Audit Plan seeks to assist the Council's Executive Leadership Team (ELT) and senior managers, together with those charged with governance, specifically, the Council's Audit and Scrutiny Committee that assurance in our systems, approach and outcomes meet the needs of the communities we serve whilst achieving 'Best Value' in the use of our finite resources.
22. The resourcing of this plan is based on the existing staff levels and contractual input in order that a balance of qualified and experienced staff can be allocated to audit work which matches their skills base and experience. In addition, such resourcing is considered as the minimum essential in which to deliver this plan across the Council during 2024/25. We would also like to express our gratitude to the Council's senior managers who have assisted us in the production of this plan.

## Appendix 1 – 2024/25 Internal Audit Plan

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Cross Cutting	Continuous Monitoring Programme	Budgeting	15	Cyclical review of key controls over an 18 month programme of audit testing.	
		Council Tax and NDR	20		
		Creditors	20		
		Debtors	15		
		General Ledger	15		
		Payroll	25		
		Treasury management	15		
		VAT	15		
		Follow-up	45	Compliance	
Douglas Hendry	Education	Community Education	20	Review the effectiveness and equity of service provision across Argyll and Bute.	SRR01
	Education	School Funds and Management of Funds	15	Review the process of compliance and conformance to School Circular 1.10 in relation to the management and control of School Funds. In addition, identification of any training gaps that may require to be addressed.	
	Legal and Regulatory Support	Trading Standards	20	Review and assess the duties relating to age restrictions on tobacco and vapes (NVP), together with how such restrictions are monitored and enforced by the Council.	SRR07
	Commercial Services	Leasing - Estates	15	Review and assess the arrangements for the compliance with IFRS16 within Estates Management.	
	Commercial Services	Asbestos Management	20	Review and assess the arrangements for the management of asbestos across Council establishments.	
Kirsty Flanagan	Roads and Infrastructure Services - Jim Smith	Roads and Flood Prevention	20	Review responses to planning applications from both a roads and flood prevention perspective. Consider timeliness of responses and the overall coordination of the Council's input to the planning application process.	

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
	Roads and Infrastructure Services	Bridges asset management plan and inspection regime	25	Review of data held in the bridges asset management system together with a review of the cyclic bridge inspection process.	SRR02
	Roads and Infrastructure Services	New Roads and Street Works Coordination	20	Review of the coordination and management of road works carried out by third party utilities and directly by the Council.	
	Development and Economic Growth	Oban Airport	15	Annual review to provide assurance re compliance with operational manual and assess compliance with the aerodrome operating manual.	
	Development and Economic Growth	Short Term Lets	25	To review and assess the processes and controls in place for short term lets and determine whether these support the efficiency and effectiveness of the service.	SRR01
	Customer Support Services	Data Security & Information Security	30	Assess the arrangements for the deployment of the data platform, paying particular attention to access permissions, controls and security.	SRR11
	Customer Support Services	IT Risk Register and Mitigation Processes	20	Review and assess the ICT Service Risk Registers, together with any mitigations in place for day to day operational matters, including Cyber Security.	SRR11
	Financial Services	NDR - to include reliefs and appeals	25	To review and assess the application and administration of NDR relief types. In addition, to include consideration of the current appeals process and whether it is sufficient in terms of the legislation.	
	Financial Services	IR35 Off Payroll Working and Compliance	15	To review and assess if the IR35 rules are being applied correctly and consistently, including appropriate and regular checks are in place.	
Fiona Davies	H&SCP Systems	Eclipse System – Post Implementation Review	25	To assess the post implementation of the Eclipse system and determine whether the system is performing as expected, access controls are operating and that appropriate training has been provided to staff.	
	H&SCP External Placements	External Placements	25	To determine if clear measures and goals of external placements including the actual interventions offered meets the expected long term outcomes and represents Best Value.	SRR07

Directorate Contact	Service	Audit Title	Days	High Level Scope	Strategic Risk
Kevin Anderson	LiveArgyll	Disclosure Checks – Protecting Vulnerable Groups	35	Assess the systems in place for the processing of staff Disclosure Checks for those working with vulnerable individuals. This review will cover all those staff employed by LiveArgyll in such roles.	
Verification Activity	LGBF	Accuracy	10	Accuracy of submission.	
	SPT Annual Claim	Accuracy	2	Accuracy of submission.	
	Education Maintenance Allowance	Accuracy	5	Accuracy of submission.	
	Stores	Stock count	5	Assess stock count procedures.	

#### Summary & Reconciliation of Days

Directorate Contact	Number of Days 2024/2025
Cross Cutting – Continuous Monitoring	185
Douglas Hendry	90
Kirsty Flanagan	155
Fiona Davies	50
LiveArgyll	35
Verification Activity	22
Contingency	81
<b>Total Core Audit - Argyll and Bute Council</b>	<b>658</b>
Scrutiny Work and HSCP Audits	100
<b>Total Audit Resource</b>	<b>758</b>

## Appendix 2 – 2024/25 Internal Audit Plan by Council Directorate / Head of Service

Douglas Hendry			Kirsty Flanagan				Fiona Davies
Education	Legal & Regulatory Support	Commercial Services	Financial Services	Customer Support	Roads & Infrastructure	Development & Economic Growth	Health & Social Care Partnership
Community Education	Trading Standards	Estates Management Leasing	Non Domestic Rates	Data Security & Information Security	Roads & Flood Prevention Responses	Short Term Lets	External Placement
School Funds & Management of School Funds		Asbestos Management	Off Payroll Working (IR35)	IT Risk Register & Mitigations	Bridges Asset Management & Inspections	Oban Airport	Eclipse – Post Implementation Review
Education Maintenance Allowance					New Roads & Street Works Coordination		
<b>Continuous Monitoring Programme</b> Budgeting, General Ledger, Creditors, Debtors, Payroll, Treasury Management, Council Tax & Non-Domestic Rates, VAT							
Live Argyll				Other Activity			
Protecting Vulnerable Groups – Disclosure Checks 2024-25				NFI – Counter Fraud Team Follow Up Local Government Benchmarking Framework			

### Appendix 3 – Strategic Risk Register (Abridged)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
1	<p><b>Population, External Infrastructure and Economic Decline</b></p> <p>Failure to identify relevant factors contributing to the decline and failure to develop strategies and actions targeting these factors.</p>	20	<p>1. Local outcome improvement plan targets population, infrastructure and economic recovery.</p> <p>2. Maximise external funding opportunities.</p> <p>3. Economic Strategy and Recovery Strategy approved.</p> <p>4. Rural Growth Deal reaching full deal status in 2023/24.</p> <p>5. UK Shared Prosperity Funding Investment Plan agreed covering 2022/23 to 2024/25.</p> <p>6. AB Place to B/Promote and Market Argyll and Bute.</p> <p>7. Taking a place based approach to regeneration including maximising social-eco benefits/community wellbeing via effective procurement strategy, development of the circular economy and partnership working across sectors.</p> <p>8. Invest in Argyll and Bute Web site established.</p>	16	Treat	<p>1. Lobbying activity in pursuit of regional immigration policies and related strategies.</p> <p>2. Rural Growth Deal Outline Business Cases and Final Business Cases being worked on and signing of Full Deal Agreement is expected in 2023/24.</p> <p>3. Levelling Up Bids to be considered for phase 3 once guidance and deadlines are announced by UK Government. Meanwhile consideration to be given to feedback from Government on our phase 2 bids.</p> <p>4. UK Shared Prosperity Funding Investment Plan is being actioned as per plan.</p> <p>5. Preparation of a pipeline of projects across Argyll and Bute in order to be able to react to any other bid funding as and when it is announced.</p> <p>6. Settlement Officer in post focussed on barriers to population growth.</p> <p>7. Multi-agency approach to</p>	<p>2019/20 (Scrutiny)</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						<p>refugee settlement underway linking with national processes and agendas.</p> <p>8. The council will continue as a partner of the Highlands and Islands Regional Economic Partnership and lobby for Government investment to realise economic opportunity and address barriers to future sustainable growth.</p> <p>9. The council working with HIE will deliver a new Economic Strategy for Argyll and Bute together with a SMART Action Plan aligned with CPP and Government economic priorities.</p>	



No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
2	<p><b>Condition and suitability of Infrastructure &amp; Asset Base</b></p> <p>Infrastructure and asset base does not meet current and future requirements and is not being used or managed efficiently and effectively.</p>	16	<ol style="list-style-type: none"> <li>1. Asset management board.</li> <li>2. Robust capital planning and monitoring.</li> <li>3. Asset management work plan.</li> <li>4. Business case modelling including sustainability, development and strategic change.</li> <li>5. Intelligence and best practice sharing via Heads of Property Group.</li> <li>6. Community Empowerment and Community Asset Transfer – Arrangements in place to evaluate and determine requests.</li> <li>7. Roads Asset Management Plan.</li> <li>8. Status and Options Report.</li> <li>9. RIS control hub and joint operations team now aligned with central team co-ordinating programmes of work based on prioritisation methodology which is delivered by area based teams to ensure a consistency of approach, VfM etc.</li> <li>10. One Council Property Approach.</li> <li>11. Continuing to be successful with bidding for external funding including STTS (£10m over the last ten years), the current bridge replacement programme which has secured over £5m and flood prevention works which have secured over £10m etc.</li> </ol>	12	Treat	<ol style="list-style-type: none"> <li>1. Development of finalised capital strategy in 2023.</li> <li>2. 'Modern Workspace Programme' will review, engage and rationalise property portfolio for future needs of the Council. Changes will take place on phased and town by town basis. Programme will be running for 3 years - April 2024</li> <li>3. New board created in July 2023 to take forward depot rationalisation</li> </ol>	<p>2020/21</p> <p>2021/22</p> <p>2022/23</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
3	<p><b>Financial Sustainability</b></p> <p>Insufficient resource to meet current and future service requirement. Budget not aligned / does not support business outcomes</p>	16	<ol style="list-style-type: none"> <li>1. Longer term financial planning and financial strategy.</li> <li>2. Income generation activity.</li> <li>3. Robust budget preparation and budget monitoring protocols.</li> <li>4. Maintaining adequate contingency with reserves.</li> <li>5. Digital transformation.</li> <li>6. Effective workforce planning model.</li> <li>7. Business Outcomes.</li> <li>8. Financial Services resilience building project including knowledge sharing and development of guidance notes.</li> </ol>	12	Treat	<ol style="list-style-type: none"> <li>1. Rural Growth Deal Outline Business Cases and Final Business Cases being worked on and signing of Full Deal Agreement is not likely until end of 2023 - Government have limited capacity and the business cases have been taking longer than anticipated to complete due to resource issues and the amount of development work required on a number of the projects.</li> <li>2. Investment in professional training through Grow Our Own Activity.</li> <li>3. Budget approach for 2023-24 looked at the longer term rather than 1 year focus. This has identified a number of areas for consideration which will be explored over the coming months for the budget setting process beyond 2023-24.</li> <li>4. Consider the implications and opportunities from the Visitor Levy (Scotland) Bill which could generate additional income from 2026/27.</li> <li>5. Respond to the Scottish Government's consultation on</li> </ol>	<p>2019/20 (Scrutiny)</p> <p>2020/21</p> <p>2022/23</p> <p>2023/24</p> <p>Ongoing via Continuous Monitoring</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						Council Tax for second and empty homes and non-domestic rates threshold as this may have opportunities for additional income in future years.	
4	<p><b>Governance and Leadership</b></p> <p>Governance and leadership arrangements are not conducive to effective working and lead to a lack of strategic direction.</p>	16	<ol style="list-style-type: none"> <li>1. Administration in place with working majority</li> <li>2. Members Seminar programmes</li> <li>3. Mentoring and Coaching Support for policy leads and Senior Management</li> <li>4. Priorities agreed by Council</li> <li>5. Corporate Plan sets out objectives</li> <li>6. Performance Improvement Framework and Service Planning.</li> <li>7. Leadership development programme.</li> <li>8. Council constitution regularly reviewed and updated.</li> <li>9. Established partnership governance arrangements</li> <li>10. Scrutiny arrangements in respect of Police, Fire and Health.</li> <li>11. Governance arrangements for scrutiny established</li> </ol>	8	Treat	1. Monitor delivery of BV action plan (ongoing date)	2020/21 (Scrutiny)

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
5	<p><b>Engagement and Understanding the needs of the Community</b></p> <p>The Council fails to understand service user needs and emerging demographic trends and does not align service delivery to meet these</p>	12	<ol style="list-style-type: none"> <li>1. Community Planning partnership</li> <li>2. Community Engagement Strategy</li> <li>3. Customer Service Board</li> <li>4. Operation and development of panels and forums. Young people's plan, citizens panel</li> <li>5. Budget Consultation</li> <li>6. Comprehensive Complaints Protocols</li> <li>7. Demographic and end user analysis</li> </ol>	9	Treat	<ol style="list-style-type: none"> <li>1. A working group has been established to review our approach to Community Engagement and to develop a Framework. The group has developed a terms of reference and is in the process of carrying out a self-assessment to identify strengths and areas for improvement. Early indications are that we have areas of excellent practice, but a lack of consistency across services. A series of draft outcomes have been identified and an action plan is under development. A collaborative space for sharing engagement activity is being developed. Updates will be reported via Highlight Reports to the Change Programme and to SMT.</li> </ol>	2022/23
6	<p><b>Service Delivery</b></p> <p>Insufficient resources to ensure effective service delivery</p>	9	<ol style="list-style-type: none"> <li>1. Performance Improvement Framework</li> <li>2. Service Improvement plans</li> <li>3. Argyll and Bute Manager programme</li> <li>4. Customer needs analysis Protocols</li> <li>5. Demographic and end user analysis</li> <li>6. Workforce Planning</li> <li>7. Internal and External Scrutiny Arrangements</li> <li>8. Complaints process</li> </ol>	6	Treat	<ol style="list-style-type: none"> <li>1. Monitor progress of performance mgt project and implement recommendations - implementation in 2023/24.</li> <li>2. Budget approach for 2023-24 looked at the longer term rather than 1 year focus. This has identified a number of areas for consideration which will be</li> </ol>	2021/22 2023/24

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
						explored over the coming months for the budget setting process beyond 2023-24. 3. Carry out 3 service self-assessment pilots which should identify opportunities for service delivery in the future.	
7	<p><b>Health and Social Care Partnership</b></p> <p>Failure of the HSCP to deliver on its Strategic Priorities results in deteriorating health and wellbeing outcomes for the population and / or reduced access to appropriate health and social care services. This could also result in financial and reputational risk to the Council.</p>	20	<ol style="list-style-type: none"> <li>1. HSCP integration scheme approved by Scottish government.</li> <li>2. Strategic Plan in place.</li> <li>3. Performance and Financial reporting arrangements in place.</li> <li>4. Independent audit arrangements in place.</li> <li>5. Integrated Joint board with elected member representation including Council Leader.</li> <li>6. Chief Officer member of ABC Senior Management Team with co-location of officers.</li> <li>7. Tripartite leadership agreement.</li> <li>8. Monitoring and improvement of HSCP financial position.</li> <li>9. Medium term Financial Plan in place.</li> <li>10. Establishment of Strategic and Tactical Groups with links to HSCP, NHS and national/regional resilience groups.</li> </ol>	12	Treat	<ol style="list-style-type: none"> <li>1. Develop options to deliver sustainability of future years budgets (ongoing).</li> <li>2. Develop a longer term Financial plan and implement the value for money strategy.</li> <li>3. Assessment of the financial implications on the Council of services transferring to the NCS when plans are sufficiently developed to enable this.</li> <li>4. Progression of Service Transformation work, Estates Strategy and long term strategic service development with Hub North.</li> <li>5. Implementation of the workforce strategy.</li> <li>6. Remobilisation of services post Covid and improved performance management and reporting processes.</li> </ol>	<p>2019/20</p> <p>2020/21</p> <p>2022/23</p> <p>2023/24 Assurance also taken from IJB internal audit function</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
8	<p><b>Civil Contingency &amp; Business continuity</b></p> <p>Arrangements are not effective.</p>	8	<ol style="list-style-type: none"> <li>1. Emergency Planning Test events</li> <li>2. Critical Activity Recovery Plans</li> <li>3. Roll out of Community resilience partnership programme</li> <li>4. Peer review of major exercises undertaken to provide external validation of planning process</li> <li>5. West of Scotland local resilience partnership</li> <li>6. Cross sector expertise and partnership working</li> <li>7. Emergency Management Support Team (EMST) meetings</li> <li>8. Training</li> <li>9. EU Withdrawal Tactical Working Group with arrangements for reporting to the West of Scotland Resilience Partnership</li> </ol>	6	Treat	<ol style="list-style-type: none"> <li>1. The Council's critical activity recovery plans (Carps) are reviewed annually. The project for the review of Business Continuity processes within the Council is underway and will include a review of the Council's critical activities and the potential for a software solution which would automate processes and provide a more efficient and effective service and ensure greater resilience for the Council. When the project is completed in 23/24 it will include a programme of testing of the updated Carps. Date 31 March 2024.</li> </ol>	2021/22
9	<p><b>Welfare Reform</b></p> <p>Implementation of welfare reform is not managed well resulting in increased poverty and deprivation or short term crisis</p>	12	<ol style="list-style-type: none"> <li>1. Financial Inclusion and Advice Group established</li> <li>2. Joint working with DWP, CPP and other agencies</li> <li>3. Child Poverty Planning Group set up and active</li> <li>4. Flexible Food Fund created. Supporting householders in our area with funds and advice to address food and fuel insecurities</li> </ol>	6	Tolerate	<ol style="list-style-type: none"> <li>1. Extended Flexible Food Fund Contract for a further two years to March 2025.</li> <li>2. Deliver sustainable school clothing bank across the Argyll and Bute area by March 2025, with support from the UK Shared Prosperity Fund.</li> <li>3. Continue to support High and Medium priority spends in SWF with funds from Benefits earmarkings if required at March 2024.</li> </ol>	2019/20 2023/24

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
10	<p><b>Waste Management</b></p> <p>Unable to dispose of waste in landfill sites due to the implications of the biodegradable municipal waste (BMW) landfill ban in 2025</p>	20	<p>1. Helensburgh and Lomond waste solution available via third party off-takers, higher rates have been accepted by the council and the contract is in place until the end of 2023 with the opportunity to extend 1+1 years. It is likely over the course of 2023 an alternative procurement process will be explored with a view to putting in place a BMW compliant solution at the earliest opportunity.</p> <p>2. At the EDI committee in December agreement was reached to seek a derogation to continue operating the PPP contract until September 2026. This will be alongside BMW compliant solutions for island settings and Helensburgh and Lomond (i.e all areas out with the PPP contract). Post Sept 2026 it is envisaged that BMW complaint solutions will be in place for all council areas. With there being uncertainty around the derogation request officers are also progressing in tandem a possible contract variation which would change the MBT plants within the PPP contract to become waste transfer stations to facilitate material to be shipped to a suitable off-taker.</p> <p>NOTE: there was a detailed business case appended to the cover report to the Dec EDI committee which sets out the options and the rationale which arrived at those options.</p>	16	Treat	<p>1. Confirmation received that derogation is not available within the current legislation and engagement advised with SEPA to be taken forward.</p> <p>2. Transition process underway with Renewi to facilitate the end of contract arrangements for Sept 2026.</p> <p>3. Ongoing workshop sessions to scope out and design future disposal models across all the council area. These models to be in place from 01/01/2026 in line with the BMW requirements.</p> <p>NOTE: whilst there are solutions in place these solutions will have cost implications which are detailed in the options appraisal presented to the Dec 2022 EDI committee.</p>	<p>2021/22 (Scrutiny)</p> <p>2023/24</p>

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
11	<p><b>Service Delivery - Cyber Security</b></p> <p>Unable to deliver services to customers because of failure of ICT systems following major cyber security breach</p>	20	<ol style="list-style-type: none"> <li>1. ICT Security &amp; compliance officer in post, producing weekly threat analyses, member of CiSP.</li> <li>2. PSN and Cyber Essentials Plus accreditations for corporate network.</li> <li>3. Regular patching regimes in place.</li> <li>4. ICT Disaster recovery plans tested regularly.</li> <li>5. All critical activities have recovery plans developed (CARP's).</li> <li>6. Mimecast monthly cyber security training videos for all staff.</li> <li>7. Enforce password changes when found to be weak.</li> <li>8. Technical cyber exercise completed and Business Continuity Planning exercise conducted with senior management and other staff.</li> <li>9. Internal Audit on Cyber Security completed in June with the Audit Opinion as substantial.</li> </ol>	15	Treat	<ol style="list-style-type: none"> <li>1. Review will be ongoing on all contingency plans with updated knowledge from SEPA and UHI Cyber Attacks.</li> <li>2. Work with Scottish Government Cyber Resilience Team to test ICT response.</li> <li>3. Continued close review of disaster recovery plan and associated tests, finalise and test incident response procedure, and review of mirroring between the 2 data centres (monthly at ITMT) and backup.</li> <li>4. Review and progress requirements for Education Network to achieve CE+ accreditation.</li> <li>5. Procure a Security Operations Centre service to improve our 24x7 security posture.</li> </ol>	<p>2019/20</p> <p>2022/23</p> <p>2023/24</p>
12	<p><b>Cost of Living Crisis</b></p> <p>The Council are unable to respond to the implications arising from the 'Cost of Living' crisis</p>	25	<ol style="list-style-type: none"> <li>1. Financial stability and support to HSCP</li> <li>2. Social Welfare and Poverty Funding assistance.</li> <li>3. Focused support and multi-agency approach where risk is highlighted</li> <li>4. Monitoring of trends in service use to high light any significant change as a result of financial hardship</li> </ol>	12	Treat	<ol style="list-style-type: none"> <li>1. Review and monitor changes in demand for key services which correlate to personal effects arising from financial distress.</li> <li>2. Extend flexible food and fuel fund to March 2025, apply to Scottish Government for funding to expand the service provision to include outreach, September</li> </ol>	



No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
			5. Targeted measures - for example to those receiving Council Tax reductions - via Gift Cards and Flexible Food and Fuel Fund			2023.	
13	<p><b>Impact of Climate Change</b></p> <p>The Council or communities are overwhelmed by severe or more frequent flooding, landslides, rainfall, storms, sea level changes or hot weather events due to changes in global temperature caused by climate change</p>	25	<p>1. Continued delivery of Council De-Carbonisation Plan</p> <p>2. Civil Contingencies Manager liaising/ collaborating with Regional Resilience Partnerships and other resilience partners in terms of storm event, hot weather events, cut off communities, landslides etc.</p> <p>3. Development and delivery of an integrated approach to decarbonisation and adaptation of Argyll and Bute as a Region via Community Planning Partnership</p> <p>4. Roads &amp; Amenity Services continue to develop asset management plan and address strategic risks in terms of rising sea levels, bridge repairs, critical infrastructure vulnerability</p>	12	Treat	<p>1. Review of De-Carbonisation Plan December 2024</p> <p>2. Consideration of all Council Papers with climate change as consideration / implications - ongoing</p> <p>3. Review scoring of business cases and pipeline of strategic projects with enhanced climate change considerations</p>	2021/22
14	<p><b>Lack of Housing availability</b></p> <p>The Council, partner agencies and communities are unable to attract and retain</p>	20	<p>1. Council has declared a Housing Emergency.</p> <p>2. Housing Strategy and Investment Plan funded and implemented/new housing delivery group established.</p> <p>3. Islands Programme Award of Funding for</p>	20		<p>1. Explore and develop a series of options in response to the housing emergency.</p> <p>2. Address key barriers to housing.</p> <p>3. Consider radical delivery models.</p> <p>4. Update to the Local Housing</p>	

No	Risk	Gross Risk	Current Mitigation	Residual Risk	Approach	Key Actions	Audit Coverage
	working age people due to lack of housing and pricing.		infrastructure for worker accommodation on Mull - this is for phase 1 site infrastructure to enable delivery of accommodation for workers and will meet clearly evidenced community need.			<p>Strategy to reflect current issues - December 2023.</p> <p>5. Hold housing summit in collaboration with housing delivery partners - October/November 2023.</p> <p>6. Housing to attract economic growth is included as a project within the RGD, focus on Tobermory and Bowmore.</p>	

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**ARGYLL AND BUTE COUNCIL****Audit and Scrutiny Committee****Legal and Regulatory Support****14 March 2024**

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**Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA)****Annual report**

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**1.0 HEADLINES**

1.1 The Regulation of Investigatory Powers (Scotland) Act 2000 (RIPSA) places a requirement on public authorities to authorise certain types of covert surveillance during planned investigations.

1.2 The Scottish Government Code of Practice on Covert Surveillance and Property Interference requires an annual report on the use of RIPSA to be reported to Members ('the code of practice')

**2.0 RECOMMENDATIONS**

2.1 The Audit and Scrutiny Committee consider and note the terms of the report.

**3.0 DETAIL**

3.1 Regulation of Investigatory Powers (Scotland) Act 2000 places a requirement on public authorities to authorise certain types of covert surveillance during planned investigations.

3.2 The Council has a policy and procedure that allows for the appropriate authorisation of requests for covert surveillance to be considered/approved/refused and monitored through to completion.

3.3 The policy and procedure has been reviewed/updated and was approved at the SMT on 26 February, it is attached at appendix 1.

3.4 Between 1 January 2023 and 31 December 2023 the Council undertook no covert surveillance operations.

3.5 We recently received the 3 yearly inspection by the Regulatory Body IPCO (Investigatory Powers Commissioners Office) who were content that the information sent to them which included the policy and procedure document provides them with assurance that our ongoing compliance with RIP(S)A 2000

and the Investigatory Powers Act 2016 will be maintained and as such, we will not require further inspection this year.

#### **4.0 CONCLUSION**

4.1 The Council has met the requirements of the code of practice by providing this report to Committee.

#### **5.0 IMPLICATIONS**

- 5.1 Policy – None
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR - None
- 5.5 Fairer Duty Scotland – None
  - 5.5.1 Equalities – None
  - 5.5.2 Socio-Economic – None
  - 5.5.3 Islands – None
- 5.6 Climate Change - None
- 5.7 Risk – None
- 5.8 Customer Service - None
- 5.9 The Rights of the Child (UNCRC) - None

**Douglas Hendry - Executive Director with responsibility for Legal and Regulatory Support**

28 February 2024

**For further information contact:** Iain Jackson, Governance, Risk and Safety Manager 01546 604188

#### **APPENDICES**

1. Policy and Procedure document



**POLICY AND PROCEDURE ON COVERT SURVEILLANCE  
DIRECTED SURVEILLANCE AND COVERT HUMAN  
INTELLIGENCE SOURCE**

1.	<b><u>INTRODUCTION</u></b>	Page 1
2.	<b><u>PRINCIPLES OF SURVEILLANCE</u></b>	Page 2
3.	<b><u>APPLICATION AND AUTHORISATION PROCESS</u></b>	Page 3 - 6
4.	<b><u>RECORDING AND PRESERVATION OF DOCUMENTS</u></b>	Page 6
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8.	<b><u>APPENDIX 1 – Arrangements for handling a CHIS</u></b>	Page 8
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1. **INTRODUCTION**

The Regulation of Investigatory Powers Act 2000 (“The UK Act”) and the Regulation of Investigatory Powers (Scotland) Act 2000 (“The Act”) provide a legal framework for covert surveillance by public authorities and prescribe procedures to ensure proper authorisation of surveillance activities.

These Acts are augmented by the following;

Scottish Governments Covert Surveillance and Property Interference Code of Practice 2017 <https://www.gov.scot/publications/covert-surveillance-property-interference-code-practice/>

Scottish Governments Covert Human Intelligence Sources Code of Practice 2017 <https://www.gov.scot/publications/covert-human-intelligence-sources-code-practice/>

OSC Procedures and Guidance 2016  
<https://www.ipco.org.uk/docs/OSC%20PROCEDURES%20AND%20GUIDANCE.pdf>

The Regulation of Investigatory Powers (Juveniles) (Scotland) Regulations 2002

The Regulation of Investigatory Powers (Cancellation of Authorisations) (Scotland) Regulations 2002

The Regulation of Investigatory Powers (Source Records) (Scotland) Regulations 2002

The Regulation of Investigatory Powers (Prescription of Offices, Ranks and Positions) (Scotland) Order 2000

The Act provides that “Directed Covert Surveillance” and the use of “Covert Human Intelligence Sources” shall be lawful for all purposes where

- 1) an authorisation provided in terms of the Act confers an entitlement to engage in the conduct in question and
- 2) the conduct is in accordance with the terms of the authorisation.

The objective of this Policy and Procedure is to ensure that all work involving the use of “direct surveillance” or the use of a “covert human intelligence source” is carried out effectively and in accordance with law.

Local authorities are permitted in terms of the Act to undertake “direct surveillance” and to use “covert human intelligence sources”. Local Authorities are **not** permitted to carry out what is defined as “Intrusive Surveillance”.

1. **“Directed surveillance”** is surveillance undertaken if it is covert and for:
  - (a) The purposes of a specific investigation or operation.
  - (b) In such a manner as is likely to result in the obtaining of private information about a person and;
  - (c) Otherwise than by way of an immediate response to events or circumstances the nature of which are such that it would not be reasonably practicable for an authorisation to be obtained for carrying out such surveillance.
2. **“Covert human intelligence source”** is a person who establishes or maintains a personal or other relationship with another person for the covert purpose of facilitating anything that:
  - (a) Uses such a relationship to obtain information or provide information or access to information to another person or;
  - (b) Discloses information obtained by the use of such a relationship or as a consequence of such a relationship.
3. **“Intrusive surveillance”** is:
  - (a) Carried out in relation to anything taking place in residential premises or in any private vehicle and;
  - (b) Involves the presence of an individual on the premises or in the vehicle or is carried out by means of a surveillance device.

Intrusive surveillance requires authorisation by a Chief Constable. Employees of Argyll and Bute Council shall **not** authorise or carry out this form of surveillance.

## 2. **PRINCIPLES OF SURVEILLANCE**

- 2.1 Directed Covert Surveillance and the use of a Covert Human Intelligence Source (CHIS) shall be carried out only where necessary to achieve one or more of the permissive purposes as defined in the Act i.e.

- (a) For the purpose of preventing or detecting crime or the prevention of disorder;
- (b) In the interests of public safety
- (c) For the purpose of protecting public health.

2.2 When considering whether directed covert surveillance or use of a CHIS is appropriate and necessary regard must be had to the following;

- (a) Necessity – does it satisfy one of the grounds in the act.
- (b) Proportionality – the use and extent of the directed surveillance must be in proportionate to what is sought to be achieved by carrying it out.

This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms.

It will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by less intrusive means.

- (c) Intrusive Surveillance – no surveillance shall be undertaken where it falls within the definition of intrusive surveillance.

2.3 Collateral Intrusion - Consideration shall be given to the reasonable steps to be taken to minimise or avoid gathering information in regard to the subject or third parties that is not directly necessary for the purposes of the investigation being carried out.

2.4 Risk to Staff/Public – Consideration shall be given by authorising Officers in regard to the possible risks to staff or anyone else likely to be affected.

2.5 **This Policy and Procedure does not apply to:**

- (a) Covert test purchase transactions under existing statutory powers where the officers involved do not establish a personal or other relationship for the purposes stated (see definition of a covert human intelligence source).

An example would be the purchase of a music CD for subsequent expert examination would not require authorisation but where the intention is to ascertain from the seller where he buys suspected fakes, when he takes delivery etc. then authorisation should be sought beforehand.

- (b) Tasks given to persons (whether that person is an employee of the Council or not) to ascertain purely factual information (for example the location of cigarette vending machines in licensed premises).
- (c) Observations that are not carried out covertly or not your intention but based on your knowledge of the person subject to the surveillance.
- (d) Unplanned observations made as an immediate response to events occurring at any time.

In cases of doubt the Application and Authorisation Process below should be followed.

### 3. APPLICATIONS AND AUTHORISATION PROCESS

- 3.1 Applications for Directed Surveillance or the use of Covert Human Intelligence Sources, or any application for renewal of authorisation, shall be authorised by the Regulatory Services and Building Standards Manager, Revenues and Benefits Manager or Operations Manager respectively but only following consultation with the Governance, Risk and Safety Manager or the Head of Legal and Regulatory Support on the merits of the application or the renewal.

Authorisations granted by a person shall be reviewed, renewed and cancelled by that same person unless that person is no longer available (eg, no longer employed), or it is impracticable for them to do so (eg, on holiday), in which case they may be reviewed, renewed and cancelled by any other officer with the power to authorise in terms of this paragraph.

#### 3.2 **Consideration of Applications**

In considering applications authorising Officers shall have regard to the Principles of Surveillance as detailed above, the Act and regulations thereunder and the relevant guidance issued from time to time by the Scottish Executive.

Applications for Directed Surveillance shall be submitted in writing on form RIPSAs Form 1. Applications for use of a CHIS shall be submitted in writing on Form RIPSAs Form 4. Authorising Officers shall not authorise their own activities.

All authorisations for directed surveillance, other than emergency authorisations, **must be cancelled** after a period of 3 months beginning on the day from which they took effect.

All authorisations for use of a CHIS, other than emergency authorisations, **must be cancelled** after a period of 12 months beginning on the day from which they took effect.

Oral authorisations shall expire after a period of 72 hours from when they take effect. In urgent cases emergency application may be made and authorised orally.

In such emergency cases the applicant shall complete a RIPSAs Form 1 in regard to Directed Surveillance and a RIPSAs form 4 in regard to use of a CHIS and the authorising Officer shall record the authorisation in writing as soon as reasonably practicable thereafter.

#### 3.3 **Acquisition of Confidential Material**

It is not envisaged that there shall be any directed surveillance where the purpose of such surveillance is to obtain information subject to legal privilege or confidential personal information i.e. information held in confidence relating to physical or mental health.

However where it is proposed to carry out directed surveillance for such a purpose then this **must** be authorised by the **Chief Executive or, in their absence, the Executive Director with responsibility for Legal and Regulatory Support** by way of application made in the first instance to the Governance, Risk and Safety Manager.

Where confidential material has been obtained then this must be clearly identified



as being confidential and care must be taken to avoid inappropriate disclosure.

Such material must not be copied, retained or disseminated unless it is of essential significance to the investigation.

All confidential material must be destroyed as soon as it is no longer essential to the investigation

### 3.4 Cancellation of Authorisation

Where an authorising Officer concludes that any authorisation granted by them has ceased to be either necessary or appropriate they shall cancel the authorisation and advise the applicant.

Cancellation of Directed Surveillance authorisation shall be recorded using form RIPSAs Form 3. Cancellation of a CHIS authorisation shall be recorded using RIPSAs Form 6.

### 3.5 Renewal of Authorisation

An authorisation may be renewed. All applications for renewal shall be made on the form RIPSAs form 2 for Directed Surveillance and RIPSAs form 5 for CHIS.

Applications should only be made shortly before the then existing authorisation is due to expire.

### 3.6 Review of Authorisations

Authorising officers will review authorisations at intervals of not more than one month.

Authorising officers shall review an authorisation following any significant occurrence or where the surveillance has resulted in the obtaining of confidential or sensitive personal information.

Review (form 2A) should be attached to the original application.

### 3.7 Matters Specific to Use of a CHIS

a) Authorisation for use of a Covert Human Intelligence Source can only be granted if sufficient arrangements are in place for handling the source's case.

The arrangements are those contained at Appendix 1 hereof.

b) A covert human intelligence source wearing or carrying a surveillance device and invited into residential premises or a private vehicle does not require special authorisation to record activity taking place inside the premises or vehicle.

Authorisation for the use of that covert human intelligence source shall be obtained in the usual way.

c) In relation to the use of Covert Human Intelligence Sources;

The use of vulnerable adults (i.e. mentally impaired) and children under 18 as a Covert Human Intelligence Source **shall not be authorised** without reference to the

relevant Head of Service considering the application.

**Authorisation in such a case must ultimately be granted by the Chief Executive or, in her absence, the Executive Director with responsibility for Legal and Regulatory Support.**

The use or conduct of any source under 18 years of age living with their parents cannot be authorised to give information about their parents.

Such sources can give information about other members of their immediate family in exceptional cases. A parent, guardian or other 'appropriate adult' should be present at meetings with a source under the age of 18 years.

The authorisation should not be granted unless or until:

The safety and welfare of the juvenile has been fully considered;

The authorising officer has satisfied himself/herself that any risk has been properly explained and understood by the juvenile;

A risk assessment has been undertaken as part of the application to deploy a juvenile source, covering the physical dangers and the moral and psychological aspects of his or her deployment.

#### **4. RECORDING AND PRESERVATION OF DOCUMENTATION**

- 4.1 Each service will maintain a record of all applications and authorisations to include refusals, renewals, reviews and cancellations of authorisations.

All such documents must be treated as strictly confidential and services must make appropriate arrangements for their retention in accordance with the Data Protection Act and the RIPSAs code of practice.

- 4.2 Each service will maintain a Progress Record Sheet in form RIPSAs form 9.

- 4.3 Legal and Regulatory Support will maintain a central register of authorisations.

Authorising Officers will provide the original of any documentation relating to authorisations, refusals, renewals, reviews and cancellations of authorisations to the Executive Director with responsibility for Legal and Regulatory Support as soon as reasonably practicable after their authorisation by the authorising Officer.

- 4.4 Documentation in relation to authorisations to include refusals, renewals, reviews and cancellations of authorisations shall be reviewed by each service and by the Executive Director with responsibility for Legal and Regulatory Support at such times as to them may seem appropriate and, in any event, at intervals not exceeding three months.

- 4.5 All documentation held by each service and by the Executive Director with responsibility for Legal and Regulatory Support in the central register shall be retained for a period of 5 years after the cancellation of the authorisation to which it relates.

After the period of 5 years the Head of the appropriate service and the Executive Director with responsibility for Legal and Regulatory Support shall supervise their

destruction, except where the documentation may be relevant to any ongoing or future civil or criminal proceedings in which case these shall be retained for such further period as may be deemed appropriate.

Thereafter each service and the Executive Director with responsibility for Legal and Regulatory Support shall annually review all documentation and shall each authorise and supervise their destruction when appropriate.

Further information is available at Chapter 8 in each of the codes of practice previously mentioned.

**5. ONLINE SURVEILLANCE**

As part of any investigation Council Officers can request access to Facebook in order to obtain 'open source data' and must follow the Protocol for requesting Access to Facebook as detailed at Appendix 2.

Useful guidance around the use of social media for investigative purposes is contained in paras 3.11 to 3.16 of the SG code on covert surveillance and property interference and paras 4.7 to 4.14 of the SG code on covert human intelligence sources detailed in the introduction.

**6. OVERSIGHT**

The Investigatory Powers Commissioners Office (IPCO) provides independent oversight of the use of the powers contained within the Regulation of Investigatory Powers (Scotland) Act 2000. This oversight includes inspection visits by Inspectors appointed by the IPCO.

**7. COMPLAINTS**

The Regulation of Investigatory Powers Act 2000 (the 'UK Act) establishes an independent Tribunal. This has full powers to investigate and decide any cases within its jurisdiction. Details of the complaint procedure may be obtained from;

Investigatory Powers Tribunal  
PO Box 33220  
London, SW1H 92Q tele: 0207 273 4514

## **APPENDIX 1**

Arrangements for handling a CHIS.

There will at all times be a person holding the requisite office, rank or position within the relevant investigating authority who will have day to day responsibility for dealing with the source on behalf of that authority and for the source's security and welfare. If the CHIS is an employee their line manager will be the best person to act as the Handler.

There will at all times be another person holding the requisite office, rank or position within the relevant investigating authority who will have general oversight of the use made of that source. This should be the handler's line manager (the Controller).

There will be at all times a person holding the requisite office, rank or position with the relevant investigating authority who will have responsibility for maintaining a record of the use made of that source. This would be the handler with oversight by the Controller and the Authorising Officer.

The record relating to the use of that source are maintained by Argyll and Bute Council which will always contain particulars of such matters as may be specified in regulations and codes of practice made by the Scottish Ministers (see below).

The records maintained by Argyll and Bute Council that discloses the identity of the source will not be available to persons except to the extent that there is a need for access to them to be made available to those persons.

There must always be consideration of the following;

Necessity - does it satisfy one of the grounds in the act.

Effectiveness - Planned undercover operations shall be undertaken only by suitably trained or experienced employees, or under their direct supervision.

Proportionality - the use and extent of the CHIS must be in proportionate to what is sought to be achieved by carrying it out.

This involves balancing the intrusiveness of the activity on the target and others who may be affected by it against the need for the activity in operational terms.

It will not be proportionate if it is excessive in the circumstances of the case or if the information which is sought could reasonably be obtained by less intrusive means.

- Examples of when a CHIS may be necessary can be found at paragraphs 2.18, 2.23 and 2.25 of the SG code of practice on covert human intelligence sources detailed in the introduction.

## **APPENDIX 2**

### **Protocol for requesting Access to Facebook for purposes of an investigation**

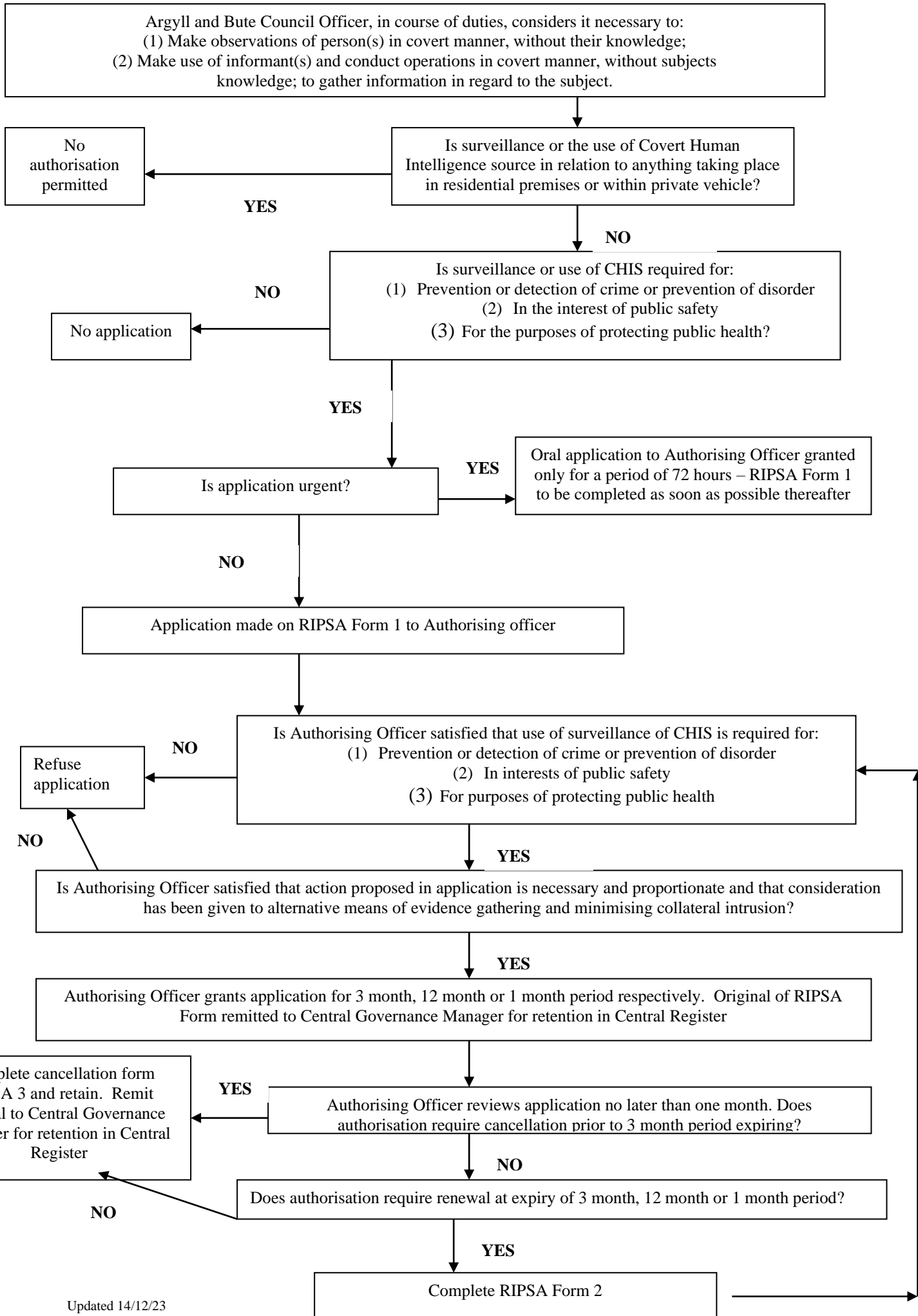
This protocol is to regulate the procedure where any Council Officer involved in an investigation considers it necessary that they access Facebook in order to obtain 'open source' information which will assist them in the investigation.

1. (Name of Service) has set up a Facebook account (Name of account) for the purpose of allowing any authorised Officer involved in an investigation to access Facebook in order to obtain 'open source' information.
2. In order to access this page on Facebook the investigating Officer must email the authorising officer or their nominated representative to obtain authorisation to access the Facebook account.
3. If at any point the investigating is restricted from accessing information from the targeted account then they must log out immediately not must attempt to obtain or obtain information from that account.
4. The password for the Facebook account is confidential and must not be shared with any other party. The password will be changed every two months.
5. A central log of all authorisations must be kept by the Authorising Officer and a report submitted to their Departmental Management Team (DMT) annually.
6. An annual report on the use of this protocol must also be submitted to the Council as part of the annual report on the use of RIP(S)A.

**REGULATION OF INVESTIGATORY POWERS  
(SCOTLAND) ACT 2000**

**INDEX OF FORMS**

- 1. Application for authorisation to carry out directed surveillance**
- 1a. Record of oral authorisation for directed surveillance**
- 2. Supplementary form for renewal of a directed surveillance authorisation**
- 2a. Review of a directed surveillance authorisation**
- 3. Cancellation of a directed surveillance authorisation**
- 4. Application for authorisation of the use of a covert human intelligence source**
- 4a. Record of oral authorisation for use of a covert human intelligence source**
- 4b. Application for authorisation of use of a juvenile or vulnerable covert human intelligence source**
- 5. Supplementary form for renewal of use of a covert human intelligence source**
- 5a. Supplementary form for renewal of use of a juvenile or vulnerable covert human intelligence source**
- 5b. Review of a covert human intelligence source authorisation**
- 6. Cancellation of use of a covert human intelligence source**
- 7. Record of particulars of a covert human intelligence source**
- 8. Record of contacts with a covert human intelligence source**
- 9. Record of authorisation**



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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**UNAUDITED ANNUAL ACCOUNTS 2023-24**

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**1 EXECUTIVE SUMMARY**

- 1.1 This report advises the Audit and Scrutiny Committee of the plans in place for financial year end 31 March 2023 and the preparation of the Council's Unaudited Annual Accounts for 2023-24.
- 1.2 The appendices to the report outline the timetables for the closure of the Council's 2023-24 General Ledger, the Social Work Closedown and the Annual Accounts Preparation Plan.
- 1.3 The Committee is asked to note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2024.

**UNAUDITED ANNUAL ACCOUNTS 2022-23**

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**2. INTRODUCTION**

- 2.1 This report advises the Audit and Scrutiny Committee of the plans in place for financial year end 31 March 2024 and the preparation of the Council's Unaudited Annual Accounts for 2023-24.
- 2.2 Processes have been established to ensure that the Annual Accounts are prepared in accordance with International Financial Reporting Standards (IFRS) on an on-going basis. There are no major changes in accounting practice for 2023-24.

**3 RECOMMENDATIONS**

- 3.1 To note that plans are in place to prepare the Council's Annual Accounts, consistent with the Accounting Code of Practice and submit them to Council prior to 30 June 2024.

**4 DETAIL**

- 4.1 "An Audit Committees – Practical Guidance for Local Authorities" has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This suggests that Audit Committees should have an overview of the plans made for preparation of the Council's Annual Accounts.
- 4.2 A set of instructions for the end of the financial year have been drafted. These cover year-end close down of the Council's financial systems and the preparation of a set of accounts in line with professional and legislative requirements. These are included within appendices 1 and 2.
- 4.3 The project plan included with the instructions is detailed and includes the following milestones:
- Capital expenditure and treasury management revenue accounts completed by 26 April 2024.
  - Revenue expenditure, creditors, debtors, accruals and prepayments completed by 19 April 2024.
  - Review and adjustments to ledger and central department cost allocations completed by 22 May 2024.
  - Council Tax and NDR entries completed by 13 May 2024.
  - Agreement of inter-group balances with Live Argyll and associated journals processed by 26 April 2024.
  - Preparation of Unaudited Annual Accounts including report by Section 95 Officer by 31 May 2024.

- Unaudited Annual Accounts considered by a meeting of the Audit and Scrutiny Committee on 13 June 2024.
- Unaudited Annual Accounts considered by a meeting of the Full Council on 27 June 2024.
- Submission of Unaudited Annual Accounts to Accounts Commission by the statutory deadline of 30 June 2024.

4.4 Previously external Audit has been satisfied with the quality of working papers and general arrangements for preparation of the Annual Accounts. The plan should result in Financial Statements prepared by the required deadline of 30 June 2024 and with supporting documentation of a standard to enable completion of the audit by 30 September 2024.

4.5 Whilst there are no major changes in accounting practice for 2023-24, amendments to IFRS 16 Leases were planned to take effect from 01 April 2022, although this has been delayed until 01 April 2024. To ensure compliance with the new standard, preparatory work is underway to make sure the Council is ready for implementation take effect on 01 April 2024.

## 5. CONCLUSION

5.1 The timescales are in line with the previous year which should ensure that the Annual Accounts are completed on time and that the working papers meet Audit Scotland's requirements.

## 6 IMPLICATIONS

6.1	Policy	None at present
6.2	Financial	None at present
6.3	Legal	None at present
6.4	HR	None at present
6.5	Fairer Duty Scotland:	None at present
	6.5.1 Equalities	None at present
	6.5.2 Socio-Economic Duty	None at present
	6.5.3 Islands Duty	None at present
6.6	Climate Change	None at present
6.7	Risk	None at present
6.8	Customer Service	None at present
6.9	The Rights of the Child (UNCRC)	None at present

**Kirsty Flanagan**  
**Executive Director / Section 95 Officer**  
**21 February 2024**

**Policy Lead for Financial and Commercial Services - Councillor Gary Mulvaney**

For further information please contact Anne Blue, Head of Financial Services, on 01586-555269.

**APPENDICES**

Appendix 1 – Year End Instructions including General Ledger Closedown and Accounts Preparation Plan.

Appendix 2 - Schedule for Payroll, Overtime and Travel accruals.

Appendix 3 - Health and Social Care Partnership Closedown Timetable



# Year End Instructions & General Ledger Closedown Timetable

**Financial Year**

**2023-2024**

**YEAR-END INSTRUCTIONS – GENERAL LEDGER CLOSEDOWN  
2023/2024 FINANCIAL YEAR**

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**1 GENERAL**

- 1.1** Appendix 1 gives the detailed year end timetable for the closedown of the general ledger. Achievement of the deadlines highlighted in green are critical to achieving a ledger closedown of **24 May 2024**. **It is vital that any slippage from these deadlines is identified as soon as possible and brought to the attention of Morag Cupples so that remedial action may be taken.**
- 1.2** Appendix 3 gives the closedown timetable for the Health and Social Care Partnership which will enable figures to be agreed with the Argyll and Bute Integrated Joint Board (IJB) in respect of the Social Work Service. The deadline for reporting an agreed figure back to Health for inclusion in their year-end figures is **Monday 24 April 2024**.
- 1.3** Year-end instructions specific to Development and Infrastructure Services will be issued from their Departmental Financial Services Team.

**2 LIVE ARGYLL**

- 2.1** In general, unless otherwise stated below, the timescales set out within these instructions for the Council also apply to Live Argyll.
- 2.2** Specifically note that any transfers of actual income/expenditure or budget between the Trust and the Council must be processed in line with the deadlines set out for the Council journals, i.e. 5 April if they contain VAT.
- 2.3** As internal recharges are not processed for Live Argyll, the debtors deadline of 22 March needs to be adhered to for transactions of this nature otherwise they will require to be accrued.
- 2.4** Diane McMillan will collate all invoices and email to creditors eliminating the need for headers. Invoices relating to the 2023/2024 financial year should be E-mailed to **creditors@argyll-bute.gov.uk** no later than 5pm on Friday 22 March for processing through the payables ledger by 27 March. In doing so, no invoices relating to 2024/2025 will be sent to creditors prior to w/c 2 April 2024.

**3 REVENUE PAYMENTS AND ACCRUALS**

**3.1 Creditor Invoices (Manual Batches)**

Invoices relating to the 2023/2024 financial year should be E-mailed to **creditors@argyll-bute.gov.uk** no later than 5pm on Friday 22 March for processing through the payables ledger by 27 March. All old year invoices must be batched separately and be clearly marked as **"2023/2024"**.

Invoices for 2024/25 should not be sent to Creditors until after Tuesday 2nd April 2024, except in circumstances where an urgent payment is required.

**To enable figures to be agreed with the Argyll and Bute Integrated Joint Board (IJB) in respect of the Social Work Service, Health and Social Care Partnership invoices should be E-mailed to the creditors@argyll-bute.gov.uk by 5pm on 22 March.**

## 3.2 Accruals

All old year invoices received by departments which have failed to make the 5pm Friday 22 March deadline or, the PECOS deadlines detailed at section 3.4, will require to be accrued. In addition, any goods or service received prior to 1 April but not yet invoiced must also be accrued. These items must be input into the accrual templates which will be emailed to the Departmental Financial Services Teams at the beginning of March for distribution.

The Departmental Financial Services Teams will check, review and collate their respective departmental accruals before returning templates to the Finance Support Team for processing. Each Departmental Financial Services Team will agree with their respective department a timeline for the return of all accrual templates and supporting documentation.

Departmental Financial Services Teams must return all accrual templates and, make available, supporting documentation to the Finance Support Team, Kilmory by **5pm on Friday 12 April at the latest.**

In order to comply with Audit requirements, all accruals greater than **£5,000** must have supporting documentation. Auditors may require to understand the basis of the accrual and may test randomly. Acceptable supporting documentation should come in the form of:

- Copy invoice which clearly provides proof of delivery of goods or services on or before 31 March 2024.
- Delivery note dated on or before 31 March 2024.
- Other documentation which provides evidence that the goods or services were provided on or before 31 March 2024.

**Orders are not acceptable documentation** as they do not show when the goods or services were provided. If you are in any doubt as to what documentation should be provided, please contact your Departmental Financial Services Team.

**The Finance Support team will have the accrual templates uploaded by close of play on 19 April.** If Departments receive invoices of a material value after their accrual deadline of 12 April, please advise your Financial Services Departmental contact, who will make a determination in conjunction with Financial Services Management as to whether an additional accrual should be processed.

## 3.3 Invoices relating to 2023/2024 awaiting Credit Notes

If the credit note has not been received in time for the last payment run, and provided the supplier is used regularly, the invoice should be passed for payment and the credit note should be accrued using the invoice accruals template, but shown in the credit column of the accruals template. If the supplier is not used regularly, the invoice should be held awaiting the credit and both the invoice and credit note will require to be accrued.

## 3.4 PECOS e-Procurement System

All PECOS Invoices are to be submitted to Creditors ([pecosinvoices@argyll-bute.gov.uk](mailto:pecosinvoices@argyll-bute.gov.uk)) by 5pm on Friday 22 March. Creditors will ensure all PECOS invoices are keyed to PECOS by 5pm on Monday 25 March.

All PECOS users must ensure unpaid invoices (mismatches or receipt required) are cleared by 5pm on Tuesday 26 March 2024 to allow Creditors to prepare for the final pay run of the year.

All PECOS users must also ensure all **goods/services/works received/completed** within the old financial year are **receipted** on the system by 5pm on Thursday 28 March 2024.

**No access** to PECOS will be available on Friday 29 March 2024

A PECOS Accrual report will be run by the Procurement Team on Tuesday 2 April 2024 This will be issued to the Finance Support Team where the data will be augmented to include the department responsible. This will then be returned to the PECOS Team for issue out to departments on Tuesday 2 April 2024.

- All entries on the PECOS report should be checked by services and accrued where necessary.
- Services will need to ensure that there is sufficient justification in a comments column that will be included on the PECOS report.



- If the order is for over **£5,000** then back-up, in addition to the PECOS system report, will be required and should be submitted to your respective Departmental Financial Services Team by 11 April 2024 at the latest.
- These accruals should be entered onto the main departmental accruals template, which should be completed and returned to the Departmental Finance team.

**Any unpaid invoices (mismatches or receipt requirements) cleared after 5pm on Tuesday 26 March 2023** will be automatically paid from the new financial year. If you require this to be paid from the old financial year, you require to mark it up on the accrual report accordingly.

PECOS will continue to operate as normal from Tuesday 2 April 2024 but all invoices processed after this date will be held, unpaid, until the first pay run of the new financial year restarts in early April (planned as the 3rd April) and all payments will be made from the new financial year.

Departments should take the opportunity to review and action all PECOS reports; Unpaid and Open Orders Reports, they received weekly/monthly in the lead up to year-end and rectify as many of the housekeeping issues as possible. Doing this will greatly reduce the number of orders you need to review on your accrual report.

**Note:**

Review all open orders on the provided report and:

- Close any orders where you are satisfied that the order is complete with no outstanding items or invoices due.
- Receipt any orders completed.
- Clear any mismatches to allow the payment of the invoice or request a credit note if the invoice is incorrect.
- Chase up any missing orders.
- Chase up any outstanding invoices.
- Cancel any orders no longer required.

## **4 SUNDRY DEBTORS AND INCOME**

### **4.1 Sundry Debtors**

The Debtors Section of Financial Services Team, Campbeltown, must receive debtors account input forms, relating to 2023/24, by 22 March. If you have local input of debtor accounts, all accounts for financial year 2023/24 must be input by 28 March. All such accounts must have a service date of 31 March or prior. Any accounts for the old year that are entered on or after 1 April should have the correct service date entered, even if prior to 31 March. These accounts will have to be included within the income accruals template.

New year sundry debtors should be clearly marked 2024/2025 and these will be entered into the sundry debtor system in the new financial year.

### **4.2 Cash Receipting System**

The cash receipting reports for the 31 March to 1 April will all be processed into 2023/2024 financial ledger. All income received from Monday 1 April onwards, will be processed in the 2024/2025 financial ledger.

**Any income processed through cash receipting for the cash in transit period will be accrued by the cash receipting team.**

### **4.3 Banking of Income**

All offices/facilities that collect money and receipt it via the Area Offices should ensure that all money relating to financial year 2023/2024 is taken to the Area Office by 4pm on Thursday 28 March.

For offices/facilities that use the bank, again, all money relating to financial year 2023/2024 should be banked before close of business on 28 March.

It is possible that further monies may be received on that day, after the final banking. If this is the case, these amounts will require to be included on the income accruals template and contact should be made with the appropriate Financial Services Departmental Contact.

**4.4 E-Income Journals and Manual Income Journals**

Staff who complete E-Income Journals (for cash received other than cash processed through the cash receipting system) should do so on 28 March. Completed E- Income journals should be e-mailed on 28 March to the Cash Section (Financial Services). All other manual income journals should be posted on 28 March to arrive at the Cash Section (Financial Services) no later than Thursday 4 April.

Separate E-Income journals should be completed for income received from 1 April onwards – this will be processed in financial year 2024/2025. E-Income journals and manual income journals should state clearly which financial year the income on that journal relates to.

**4.5 Imprests**

The Creditors Section (Financial Services) will issue imprest certificates/returns to imprest holders by Monday 26 February. **Certificates for all establishments, including schools, should be returned to the Creditors Section (Financial Services), Campbeltown as soon as possible after 28 March but no later than Friday 12 April.**

**5 CAPITAL**

**5.1 Capital Expenditure and Capital Journals**

All capital invoices relating to 2023/24 should be sent to the Campbeltown Creditors section or E-mailed to creditors@argyll-bute.gov.uk as soon as they are received, **but no later than 5pm on Friday 15 March.**

All old year capital invoices received by departments but which have failed to make the 15 March deadline will require to be accrued. In addition, capital expenditure incurred prior to 1 April but not yet invoiced / certificated must also be accrued.

These items must be input into the capital accruals template which will be emailed to the departmental capital programme contacts at the beginning of March. The template should be E-mailed to linda.taylor@argyll-bute.gov.uk by 5pm on Thursday 28 March. All capital accruals must have supporting documentation which proves that the expenditure was incurred prior to 1 April.

**5.2 Capital Financed from Current Revenue (CFCR)**

Where expenditure has been incurred on capital items/assets but funded through the revenue budget, this needs to be identified and a journal to transfer the expenditure to capital put through. A template will be e-mailed to the departmental capital programme contacts, asking for information on any CFCR expenditure incurred during 2023/24.

The template should be E-mailed to linda.taylor@argyll-bute.gov.uk by 5pm on Thursday 28 March 2024.

**6 JOURNALS**

**6.1** Departments will be allowed to process their own journals up to 26 April. Only material adjustments will be processed by the Finance Support Team after this date with agreement of Financial Services Management.

To reflect a normal period end at the end of March, departments will be able to process normal period end journals through the March period in the ledger until Monday 1st April. After that, all journals processed by departments must be processed through the “adjust” period and not through “March”. Care should be taken over which period is selected as Adjust and April will all be open.

Journals containing VAT which relate to 2023/2024 should **not be processed at all by any staff after 5 April** without consulting Sandra Coles (Financial Services). Sandra will be preparing the VAT return for March once the payables ledger is closed on 31 March and if there are any VAT adjustments made to the old year after this date they will be missed through the VAT return.

**Any journals containing capital codes should follow the deadlines set out in Section 5.1 above i.e. 5pm on Friday 2 April.**

**7 INTERNAL RECHARGES**

**7.1 Old Year Internal Recharges**

**Over £1,000**

Internal recharges will be processed by the Finance Support Team.

On 1 March, the Finance Support Team will contact the receiving department of any Internal Recharges that are still outstanding on the system dated 31 January or earlier. These should be returned to the Finance Support Team by 22 March for processing.

Creators of invoices in each section can view all invoices raised against their service that are still outstanding by using the “View Recharges Allocated to my Service” choice on the Main menu.

**The final date for producing internal recharges for 2023/2024 is Friday 22 March.** These should be sent to receiving departments for coding immediately.

Receiving departments should send all internal recharges to the Finance Support Team, Kilmory as early as possible, but no later than 1pm on Wednesday 27<sup>th</sup> March. These will be processed and coded into March on Thursday 28 March.

Any remaining accounts still outstanding will be cleared from the system on 2 April to the cost codes detailed below. A list of charges that have been cleared will be provided to the receiving department.

The following customer department accounts will be debited/credited as appropriate:

Executive Director – Douglas Hendry - Education	E2000010000.29901
Financial Services	C1283010000.29901
Executive Director – Douglas Hendry – non Education	80000000000.29901
Executive Director – Kirsty Flanagan	70000000000.29901
Health & Social Care Partnership	50000030000.29901

**Under £1,000**

The journal prepared by each department for any Internal recharges less than £1,000 for the March period should be sent to the Finance Support Team by 12 noon on Thursday 4 April and will be uploaded into the ledger on Friday 5 April.

**7.2 Mail and Print Room Recharges**

The monthly mail and print room charges for the March period should be sent to the Finance Support Team by 12 noon on 4 April and will be uploaded into the ledger on Friday 5 April 2024.

**7.3 Clearance of Internal Recharges Clearance Account No 29901**

Departmental journals should be raised to clear the 29901 accounts. However, it is expected that departments will make all attempts to clear outstanding invoices before any transfer to the 29901 accounts can take place. It is the responsibility of each department to ensure recharges coded to 29901 are cleared prior to Friday 5th April.

**8 STORES/WORK IN PROGRESS**

**8.1 General**

Departments should inform their Principal Accountants as soon as possible if they consider that they will have any difficulty in complying with the following stock and work in progress working paper requirements.

Internal audit will be present at selected stock counts and will be performing sample checks. External audit may also be present.

**8.2 Stock Count**

All Development and Infrastructure Services (Salt and Fuel), and Social Work stores must perform a full physical stock count on or around 28 March. Instructions will be issued to all Development and Infrastructure Services

locations with stores by 26 February by the Development and Infrastructure Services Financial Services Team. The Social Work Departmental Finance Team will issue instructions for the Social Work stores. Stock certificates must be completed by Roads and Infrastructure Services and Social Work Services and sent to their Departmental Principal Accountant by Friday 5 April. These certificates should be accompanied by detailed working papers including;

- Original stock count working papers.
- Final priced stock sheets (quantity x price) totalled to give stock value for each store.
- Details of obsolete stock and any stock provisions / write-downs.

The Principal Accountants should retain all reviewed certificates and the above stock working papers for inclusion in the year-end working paper files for the external auditors by Friday 12 April. Where possible electronic working papers should be provided.

### **8.3 Work in Progress – Roads and Lighting Operational Holding Account**

Development and Infrastructure Services are required to prepare a valued list of work in progress for the Roads and Lighting Operational Holding Account by 3 May and this should be passed over to the Principal Accountant – Development and Infrastructure Services for review.

Detailed listings at works order level of work in progress for the Roads and Lighting Operational Holding Account should be retained (preferably in electronic format) to back up the work in progress figure processed through the ledger.

## **9 CONTROL AND SUSPENSE ACCOUNTS**

### **9.1 Control Accounts**

A responsible person has been identified for each control account in the general ledger. Reports will be issued on 2 April to the relevant Finance Contact, giving the current balance on each control account along with a "Carry Forward of Control Account Balance" form. The balance in the control account either requires to be cleared to zero or carried forward to the next financial year. The Finance Contact will complete the appropriate forms once all journal entries have been processed and ensure they are signed off by the responsible person. If a carry forward is required, justification and a reconciliation must be attached to the carry forward form. Care should be taken to ensure that any balances to be carried forward are correct and represent a genuine debtor or creditor.

The "Carry Forward of Control Account Balance" form should be sent to the Finance Support Team (Kilmory) by Friday 26 April.

All clearance and adjusting journals will be processed by the Finance Support Team by Friday 3 May.

The Revenue and Benefits Finance Manager has until Friday 10 May to clear the "raw cash" control account balances in conjunction with processing of year-end council tax and NDR journals.

### **9.2 Suspense Accounts**

A responsible person has been identified for each suspense account in the general ledger. Reports will be issued on 2 April giving the balance on each suspense account. This balance requires to be cleared. Under no circumstances should transferring to another suspense account clear the balance. All clearance journals for suspense accounts other than payroll suspense must be completed and input into the ledger by Friday 26 April.

Entries from the monthly Pay07 payroll run which hit the payroll suspense should be cleared by 12 April and cleared by 25 April for the Pay10 teachers' payroll run. This will enable the payroll accruals to be prepared and processed through the ledger.

## **10 PAYROLL**

### **10.1 General**

Deadlines for the receipt of timesheets, expenses and other payroll input from departments will follow normal payroll deadlines. Separate guidance will be issued from Financial Services/Payroll, Campbeltown prior to the year-end.

Any additional questions on payroll and travel claims should be directed as follows:

Payroll – 01586 555211  
 Travel Claims– Malcolm Bannatyne – 01586 555256

**10.2 Payruns**

Details of the method of calculating payroll accruals are noted below and accruals will be processed by the Financial Services Finance Support Team. Appendix 2 gives full details of the year end payroll dates and accruals required.

Payrun	Week/Month No	Proportion Accrued		
		Payroll	Overtime	Travel & Subsistence
Pay 07 Monthly	01	16/31sts	100%	100%
Pay 10 Teachers	01	100% part time hrs *	N/A	100%

\* Part time teachers’ hours and enhancements relating to March will be 100% accrued.

**10.3 Travel Claims**

Staff travel claims are mainly submitted via the “MyView” on-line system. The year-end deadlines for “MyView” travel and expense claims are as follows:

- PAY 07 Mth 12 - must be submitted by 22 February 2024 & authorised by 29February 2024.
- PAY 07 Mth 1 - must be submitted by 22 March 2024 & authorised by 04 April 2024.
- PAY 10 Mth 1 - must be submitted by 12 April 2024 & authorised by 19 April 2023.

The above cut-off dates for travel and expense claims over the year-end period will be clearly displayed on the “MyView” system when staff log in.

All other travel expense claims should be sent to the Creditors Section no later than the above authorised date for the appropriate payroll.

Care should be taken to note the dates for receipt of travel and expense claims at the creditors section in order to ensure that as much travel and expenses as possible for the period up to 31 March 2024 is incorporated within the pay run that will be accrued. It is essential, for accrual purposes, that all business mileage incurred up to and including 31 March is incorporated into one claim and any business mileage incurred on or after 1 April is entered onto a separate claim.

If a travel claim is not going to meet the creditor section’s deadline, then the department will require to accrue the travel claim manually. In this instance, it is still preferable to have two separate travel claims for before and after the 31 March, for ease of accrual preparation.

It is imperative that leased car users enter their final milometer reading onto their 2023/2024 claim. Details of Essential and Leased car users’ business mileage must be communicated to the Inland Revenue and is used to calculate their tax, so it is very important that the figures given are accurate and relate to the correct financial year.

**11 AMENDMENTS TO HIERARCHIES / COST CENTRES DURING YEAR END PERIOD**

**11.1** Any cost centre/account codes that have been used in the period year 2023/2024 that have to be disabled for the year 2024/2025 will not be processed until after the Support Service model has been run through the ledger and the analytical review has been completed.

The control sheets should be E-mailed to [astrid.ronald@argyll-bute.gov.uk](mailto:astrid.ronald@argyll-bute.gov.uk) and will be held until the changes are made. The period that this affects is 31 March 2024 – 31 May 2024.

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
1. Capital Expenditure Processing	1	Financial Services Issue CFCR & Accruals Templates to Departments	Lorna Jordan	Bruce MacPherson	New task for 2023-24 04/03/2024
1. Capital Expenditure Processing	2	Issue template for Capital Creditors / Project Status	Lorna Jordan	Bruce MacPherson	28/03/2024
1. Capital Expenditure Processing	3	CFCR & Accruals templates returned to Financial Services	Lorna Jordan	Departments	28/03/2024
1. Capital Expenditure Processing	4	Template for Capital Creditors / Project Status returned to Financial Services	Lorna Jordan	Departments	12/04/2024
1. Capital Expenditure Processing	5	Processing of CFCR journals by Finance Support Team	Lorna Jordan	Finance Support Team	02/04/2024
1. Capital Expenditure Processing	6	Deadline for capital payments to Creditors Section	Lorna Jordan	Departments	15/03/2024
1. Capital Expenditure Processing	7	Processing of final external capital payments	Lorna Jordan	Creditors Section	18/03/24 - 20/03/24
1. Capital Expenditure Processing	8	Roads Capital Measures	Lorna Jordan	Departments	28/03/2024
1. Capital Expenditure Processing	9	<b>Final Payment Run Processed Capital</b>	<b>Lorna Jordan</b>	<b>Creditors Section</b>	<b>22/03/2024</b>
1. Capital Expenditure Processing	10	Year end journals of transfers to/from revenue accounts	Lorna Jordan	Bruce MacPherson	28/03/2024
1. Capital Expenditure Processing	11	Property Fee Charges and Infrastructure Design Billing Run Received from Departments	Lorna Jordan	Bruce MacPherson	03/04/2024
1. Capital Expenditure Processing	12	Ledger checked daily for capital expenditure	Lorna Jordan	Bruce MacPherson	02/04/24 - 29/04/24
1. Capital Expenditure Processing	13	Deadline for processing capital accruals template/CFCR template/journals to Financial Services including Property Fees and Design Billing Run	Lorna Jordan	Departments	05/04/2024
1. Capital Expenditure Processing	14	<b>Capital expenditure processing complete</b>	<b>Lorna Jordan</b>	<b>Bruce MacPherson</b>	<b>05/04/2024</b>
2. Fixed Assets Non-Current Assets Available for Sale	15	Capital expenditure final download from ledger	Lorna Jordan	Bruce MacPherson	08/04/2024
2. Fixed Assets Non-Current Assets Available for Sale	16	Allocate Capital Grant	Lorna Jordan	Bruce MacPherson	08/04/2024
2. Fixed Assets Non-Current Assets Available for Sale	17	Allocation of balance sheet codes to mass allocation journal	Lorna Jordan	Bruce MacPherson	09/04/24 to 26/04/24
2. Fixed Assets Non-Current Assets Available for Sale	18	Mass allocation processed	Lorna Jordan	Bruce MacPherson	26/04/2024
2. Fixed Assets Non-Current Assets Available for Sale	19	<b>Capital expenditure complete</b>	<b>Lorna Jordan</b>	<b>Bruce MacPherson</b>	<b>26/04/2024</b>
Depreciation/Property Plant and Equipment Processing	20	Revaluation of Properties by Estates - including supporting evidence of assets classified for sale	Lorna Jordan	Estates	17/04/2024
Depreciation/Property Plant and Equipment Processing	21	Update asset register for new assets/additions/disposals/transfers	Lorna Jordan	Bruce MacPherson	29/04/23 to 01/05/24
Depreciation/Property Plant and Equipment Processing	22	Run depreciation/impairment charges and process journal	Lorna Jordan	Bruce MacPherson	02/05/2024
Depreciation/Property Plant and Equipment Processing	23	Update Asset Register for Revaluations	Lorna Jordan	Bruce MacPherson	02/05/24 - 03/05/24

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
<i>Depreciation/Property Plant and Equipment Processing</i>	<b>24</b>	Process balance sheet revaluation journals	Lorna Jordan	Bruce MacPherson	7/05/24 - 13/05/24
<i>Depreciation/Property Plant and Equipment Processing</i>	<b>25</b>	Calculation of Depn based on revaluation amount and process journal	Lorna Jordan	Bruce MacPherson	13/05/2024
<i>Depreciation/Property Plant and Equipment Processing</i>	<b>26</b>	Reconcile asset register to ledger	Lorna Jordan	Bruce MacPherson	13/05/24 - 17/05/24
<b><i>Depreciation/Property Plant and Equipment Processing</i></b>	<b>27</b>	<b>Capital Accounting Entries Complete</b>	<b>Lorna Jordan</b>	<b>Bruce MacPherson</b>	<b>17/05/2024</b>
<i>3. Loan Charges</i>	<b>28</b>	Complete interest on revenue balances	Morag Cupples	Sandra Coles	22/03/2024
<i>3. Loan Charges</i>	<b>29</b>	Complete PSTM Reconciliations	Morag Cupples	Sandra Coles	02/04/24 to 12/04/24
<i>3. Loan Charges</i>	<b>30</b>	Accrual of Borrowing Interest and Expenses	Morag Cupples	Sandra Coles	08/04/24 to 12/04/24
<i>3. Loan Charges</i>	<b>31</b>	Accrual of Investment Interest and Expenses	Morag Cupples	Sandra Coles	08/04/24 to 12/04/24
<i>3. Loan Charges</i>	<b>32</b>	Financial Services expense allocation	Morag Cupples	Sandra Coles	12/04/2024
<i>3. Loan Charges</i>	<b>33</b>	Provision of capital repayment figures for house loans	Morag Cupples	Duncan MacBrayne	25/03/24 to 02/04/24
<i>3. Loan Charges</i>	<b>34</b>	Calculate weighted capital expenditure in year	Anne Blue	Morag Cupples	12/04/2024
<i>3. Loan Charges</i>	<b>35</b>	Input annuity rate loan charges model and calculate loan charges	Anne Blue	Morag Cupples	10/05/2024
<i>3. Loan Charges</i>	<b>36</b>	Process loans charges/SMGFB (Statement of Movement in General fund) journals	Morag Cupples	Sandra Coles	17/05/2024
<i>3. Loan Charges</i>	<b>37</b>	Loans fund revenue account (ensure nil)	Morag Cupples	Sandra Coles	17/05/2024
<i>3. Loan Charges</i>	<b>38</b>	Management review of loans fund calculations after all journals processed through ledger	Kirsty Flanagan	Anne Blue	15/05/24 - 17/05/24
<b><i>3. Loan Charges</i></b>	<b>39</b>	<b>Loans Charges Complete</b>	<b>Anne Blue</b>	<b>Morag Cupples</b>	<b>17/05/2024</b>
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>40</b>	Complete & submit Organisation Report Request Form to Hymans	Abbie Maclver	Abi Harley	01/03/2024
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>41</b>	IFRS Pensions Report Received from Actuaries (Hymans Robertson)	Abbie Maclver	Abi Harley	27/03/2024
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>42</b>	Check reasonability of data in report	Abbie Maclver	Abi Harley	30/04/2024
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>43</b>	Calculate pensions entries in ledger	Abbie Maclver	Abi Harley	30/04/2024
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>44</b>	Process pensions entries in ledger	Abbie Maclver	Abi Harley	30/04/2024
<i>4. IFRS Pensions Accounting - Year End Accounting Entries</i>	<b>45</b>	Check no bottom line impact on general fund	Abbie Maclver	Abi Harley	30/04/2024
<b><i>4. IFRS Pensions Accounting - Year End Accounting Entries</i></b>	<b>46</b>	<b>IFRS Pension Entries Complete</b>	<b>Abbie Maclver</b>	<b>Abi Harley</b>	<b>30/04/2024</b>
<i>5. Creditor Payments</i>	<b>47</b>	Deadline for Health and Social Care Partnership Invoices to Creditors	David Forshaw / Malcolm Bannatyne	Departments	22/03/2024
<i>5. Creditor Payments</i>	<b>48</b>	Departments processing old year invoices	Departments	Departments	22/03/2024
<i>5. Creditor Payments</i>	<b>49</b>	Deadline for passing invoices to Finance (Campbeltown)	Malcolm Bannatyne	Departments	22/03/2024
<i>5. Creditor Payments</i>	<b>50</b>	Processing of final revenue payments 2023-24	Malcolm Bannatyne	Creditors Section	27/03/2024

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
5. Creditor Payments	51	Final payment run processed	Malcolm Bannatyne	Creditors Section	27/03/2024
5. Creditor Payments	52	Payables re-opens for processing to April	Malcolm Bannatyne	Creditors Section	02/04/2024
5. Creditor Payments	53	Production and processing of final feeders to road costing	Malcolm Bannatyne	Creditors Section	02/04/2024
5. Creditor Payments	54	<b>Closure of March 2023 Period (5pm)</b>	<b>Mary McCallum</b>	<b>Astrid Ronald</b>	<b>02/04/2024</b>
5. Creditor Payments	55	March Creditors Reconciliation of Core Payables Liability	Mary McCallum	Malcolm Bannatyne	02/04/2024
5. Creditor Payments	56	VAT return completed	Morag Cupples	Sandra Coles	15/04/24 - 19/04/24
5. Creditor Payments	57	<b>Creditor Payments and VAT completed</b>	<b>Mary McCallum</b>	<b>Astrid Ronald</b>	<b>19/04/2024</b>
	58	Inter dept charges affecting IJB - check all put through			17/04/2024
6. Health and Social Care Integration	59	Agree final outturn position with Chief Financial Officer of Integrated Joint Board	David Forshaw	Angela Tillery	24/04/2024
7. Revenue Accruals/Prepaid Expenditure	60	Accrued/Prepaid expenditure templates issued to departments	Mary McCallum	Astrid Ronald	05/02/2024
7. Revenue Accruals/Prepaid Expenditure	61	Departments complete accrued / prepaid expenditure templates - this to be collated and checked by Departmental Financial Services Teams	Principal Accountants	Departments / Departmental Support Teams	25/03/2024 - 12/04/2024
7. Revenue Accruals/Prepaid Expenditure	62	Deadline for return of accrued / prepaid expenditure templates to Finance Support Team	Principal Accountants	Departmental Support Teams	12/04/2024 5pm
7. Revenue Accruals/Prepaid Expenditure	63	Finance Support team process accrued/prepaid expenditure	Mary McCallum	Astrid Ronald	15/04/24 - 19/04/24
7. Revenue Accruals/Prepaid Expenditure	64	<b>Deadline for Upload of Accrual Templates to General Ledger.</b>	<b>Mary McCallum</b>	<b>Astrid Ronald</b>	<b>19/04/2024</b>
PECOS Accruals	65	All PECOS invoices to be with Creditors for keying by 5pm.	Departments	Departments	22/03/2024
PECOS Accruals	66	Final keying of PECOS invoices by Creditors.	Malcolm Bannatyne	Creditors Section	25/03/2024
PECOS Accruals	67	All unpaid invoices (mismatches and receipts) required to be cleared from PECOS system by 5pm. Procurement will continue to issue weekly reports of all unpaid invoices to Heads of Service for circulation to their staff. Each PECOS requisitioner is responsible for clearing their own unpaid invoices.	Mary McCallum	Departments / Emma Graham	26/03/2024
PECOS Accruals	68	Final PECOS interface with payables ledger for 2023-24. (Run matching process at 5.30pm on 26th)	Mary McCallum	Creditors Section	27/03/2024
PECOS Accruals	69	Final PECOS Pay-All of 2023-24	Malcolm Bannatyne	Creditors Section	27/03/2024
PECOS Accruals	70	All PECOS users to ensure all goods/services/works received/completed within the old financial year are receipted on the system by 5pm.	Departments	Departments	28/03/2024
PECOS Accruals	71	PECOS Accrual Report run.	Mary McCallum	Emma Graham	02/04/2024



### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
PECOS Accruals	72	PECOS Accrual Report issued to Finance Support Team to augment to include department and return to PECOS team to issue to Departments.	Mary McCallum	Emma Graham /Duncan MacBrayne	02/04/2024
PECOS Accruals	73	Circulation of year end reports to each Department.	Mary McCallum	Emma Graham	03/04/2024
PECOS Accruals	74	PECOS interfaces to Payables to continue processing into New Year.	Mary McCallum	Procurement/Creditors	From 03/04/24
PECOS Accruals	75	Departments return PECOS accrual information to finance contacts	Departments	Departments	11/04/2024
PECOS Accruals	76	Departments to include unpaid receipted orders on main PECOS accrual template.	Principal Accountants	Departments / Departmental Support Teams	by 12/04/24
Holiday Pay Accrual - Teachers	77	Collection of teacher data / calculation of accrual	Mary McCallum	Iain Wylie	02/04/24 to 10/04/24
Holiday Pay Accrual - Teachers	78	Completion of holiday pay accrual template based on previous years sample and methodology	Mary McCallum	Iain Wylie	02/04/24 to 10/04/24
Holiday Pay Accrual - Teachers	79	Complete Flexi leave accrual calculations	Mary McCallum	Iain Wylie	02/04/24 to 10/04/24
Holiday Pay Accrual - Teachers	80	Process journal and SMR reversing entry	Mary McCallum	Iain Wylie	12/04/2024
Payroll - Pay 07 MONTHLY (Month 1)	81	Deadline for Travel/Expense Claims to Creditors - Pay 07 Month 1	Malcolm Bannatyne	Departments	22/03/2024
Payroll - Pay 07 MONTHLY (Month 1)	82	Deadline for Timesheets to Payroll - Pay 07 Month 1	Lorraine Brodie	Departments	02/04/2024
Payroll - Pay 07 MONTHLY (Month 1)	83	Processing Pay 07 Month 1	Lorraine Brodie	Payroll Section	05/04/2024
Payroll - Pay 07 MONTHLY (Month 1)	84	Clearance of Pay 07 Month 1 suspense items	Lorraine Brodie	Payroll Section	12/04/2024
Payroll - Pay 07 MONTHLY (Month 1)	85	Accrual Pay 07 Month 1	Mary McCallum	Ailsa Laing / Duncan MacBrayne	12/04/24 to 19/04/24
Payroll - Pay 10 TEACHERS (Month 1)	86	Deadline for Travel/Expense Claims to Creditors - Pay 10 Teachers Month 1	Malcolm Bannatyne	Departments	12/04/2024
Payroll - Pay 10 TEACHERS (Month 1)	87	Deadline for Timesheets to payroll Pay 10 Teachers Month 1	Lorraine Brodie	Departments	16/04/2024
Payroll - Pay 10 TEACHERS (Month 1)	88	Processing Pay 10 Teachers Month 1	Lorraine Brodie	Payroll Section	18/04/2024
Payroll - Pay 10 TEACHERS (Month 1)	89	Clearance of Pay 10 Month 1 suspense items	Lorraine Brodie	Payroll Section	26/04/2024
Payroll - Pay 10 TEACHERS (Month 1)	90	Accrual Pay 10 Teachers Month 1	Mary McCallum	Ailsa Laing / Duncan MacBrayne	26/04/24 to 30/04/24
Payroll - Pay 10 TEACHERS (Month 2)	91	Deadline for Travel/Expenses Claims - Pay 10 Teachers Month 2	Malcolm Bannatyne	Departments	03/05/2024
Payroll - Pay 10 TEACHERS (Month 2)	92	Deadline for Timesheets to Payroll Pay 10 Teachers Month 2	Lorraine Brodie	Departments	21/05/2024
Payroll - Pay 10 TEACHERS (Month 2)	93	Processing Pay 10 Teachers Month 2	Lorraine Brodie	Payroll Section	23/05/2024
Payroll - Pay 10 TEACHERS (Month 2)	94	Education Support team to check month2 transactions for late accruals	Sharon Macalister	Departments	23/05/2024

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	95	Deadline for sending debtor accounts to Debtors Section	Fergus Walker	Departments	22/03/2024
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	96	Input of old year debtor accounts (Central and Local)	Fergus Walker	Jennifer Gorman	25/03/24 to 28/03/24
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	97	Year end reports produced	Fergus Walker	Jennifer Gorman	02/04/2024
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	98	Sundry Debtor account reconciliations and ensure Debtors suspense e-returns cost centre equals zero	Fergus Walker	Jennifer Gorman	02/04/2024 - 12/04/2024
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	99	Calculation of Sundry Debtors Bad Debt Provision	Fergus Walker	David Forshaw	15/04/24 to 17/04/24
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	100	Process journal adjusting ledger for change in Sundry Debtors BDP	Fergus Walker	David Forshaw	17/04/2024
8. Cash and Income - Accrued/Deferred Income - Sundry Debtor Accounts	101	<b>Sundry Debtor accounts complete</b>	<b>Fergus Walker</b>	<b>David Forshaw</b>	<b>17/04/2024</b>
Housing Benefit Overpayments	102	Calculation of Housing Benefit Overpayment Debtor	Fergus Walker	Fergus Walker	03/05/2024
Housing Benefit Overpayments	103	Calculate associated bad debt provision	Fergus Walker	Fergus Walker	03/05/2024
Housing Benefit Overpayments	104	Process journals for housing benefit overpayments	Fergus Walker	Fergus Walker	03/05/2024
<b>Housing Benefit Overpayments</b>	<b>105</b>	<b>Housing Benefit Overpayments Complete</b>	<b>Fergus Walker</b>	<b>Fergus Walker</b>	<b>03/05/2024</b>
Banking	106	All monies/cheques should be banked	Departments	Departments	28/03/2024
Banking	107	Monies/cheques received after final banking relating to 2022-23 to be added to accruals template	Principal Accountants	Departments	02/04/24 to 05/04/24
E-Income Journals	108	Deadline for E- Income Journals to Cash Section. Kintyre House, Campbeltown.	Margo Turner/Nancy Hope	Departments	28/03/2024
E-Income Journals	109	Cash Section to process year-end E-income journals	Margo Turner/Nancy Hope	Cash Section	02/04/24 to 05/04/24
E-Income Journals	110	Bank reconciliation on expenditure account	Malcolm Bannatyne	Creditors Section	08/04/24 to 19/04/24
E-Income Journals	111	Bank reconciliation on Council Tax and NDR account	Fergus Walker	Alison McGeachy	08/04/24 to 19/04/24
E-Income Journals	112	Bank reconciliation on Income Account	Fergus Walker	Alison McGeachy	08/04/24 to 19/04/24
E-Income Journals	113	Bank reconciliation on Housing Benefit Account	Fergus Walker	Sharon Leitch	08/04/24 to 19/04/24
E-Income Journals	114	Bank reconciliation on Land Contamination Bank Account	Morag Cupples	Sandra Coles	08/04/24 to 19/04/24
Imprests	115	Imprest certificates/returns issued to imprest holders	Malcolm Bannatyne	Graham Munro	26/02/2024
Imprests	116	Establishments complete certificates/returns	Departments	Departments	28/03/24 to 12/04/24
Imprests	117	Deadline for return of Certificates to Creditors Section	Departments	Departments	12/04/2024

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
<i>Imprests</i>	<b>118</b>	Reconciliation of all Imprest balances (including schools)	Malcolm Bannatyne	Graham Munro	15/04/24 to 19/04/24
<i>Imprests</i>	<b>119</b>	Process final imprest adjustments in ledger	Malcolm Bannatyne	Graham Munro	22/04/2024
<i>Other Income Accruals / Deferred Income</i>	<b>120</b>	Income Accrual / Deferred Income Templates issued to departments	Mary McCallum	Astrid Ronald	05/02/2024
<i>Other Income Accruals / Deferred Income</i>	<b>121</b>	Departments complete other income accrual/ deferred income templates	Principal Accountants	Departments	25/03/2024 - 12/04/2024
<i>Other Income Accruals / Deferred Income</i>	<b>122</b>	Deadline for return of accrued / deferred income templates to Finance Support Team.	Principal Accountants	Departmental Support Teams	12/04/2024 5pm
<i>Other Income Accruals / Deferred Income</i>	<b>123</b>	Specific deadline for procurement team manual accruals - 5pm	Emma Graham / Linda Taylor	Procurement Team	16/04/2024
<i>Other Income Accruals / Deferred Income</i>	<b>124</b>	Finance Support team process income accruals / deferred income	Mary McCallum	Astrid Ronald	15/04/24 - 19/04/24
<i>9. Internal Recharges</i>	<b>125</b>	Final date for producing 2022-23 Internal recharges	Departments	Departments	22/03/2024
<i>9. Internal Recharges</i>	<b>126</b>	Deadline for coded recharges to be sent to Finance Support Team	Departments	Departments	28/03/2024
<i>9. Internal Recharges</i>	<b>127</b>	Internal Recharges uploaded into the ledger	Mary McCallum	Astrid Ronald	02/04/2024
<i>9. Internal Recharges</i>	<b>128</b>	Outstanding Accounts cleared from Internal Recharge system	Mary McCallum	Astrid Ronald	02/04/2024
<i>9. Internal Recharges</i>	<b>129</b>	Submit Manual journal entries for any Internal Recharges that need to be processed for 22-23 FY. Upload by Finance Support Team	Mary McCallum	Margaret Ellis	04/04/2024
<i>9. Internal Recharges</i>	<b>130</b>	Uploaded by finance Support Team	Mary McCallum	Astrid Ronald	05/04/2024
<i>9. Internal Recharges</i>	<b>131</b>	Departments to clear 29901 accounts	Departments	Departments	02/04/24-05/04/24
<i>10. Stores and Work in Progress - Stores</i>	<b>132</b>	Accounting and Budgeting Teams issue instructions to Stores	Abbie Maclver / Linda Taylor	Departments	26/02/2024
<i>10. Stores and Work in Progress - Stores</i>	<b>133</b>	Departments prepare for stock count	Abbie Maclver / Linda Taylor	Departments	01/03/24 to 28/03/24
<i>10. Stores and Work in Progress - Stores</i>	<b>134</b>	Stock count	Abbie Maclver / Linda Taylor	Departments	28/03/2024
<i>10. Stores and Work in Progress - Stores</i>	<b>135</b>	Stock certificates to be completed and sent to Principal Accountants, Development and Infrastructure Services and Social Work	Angela Tillery/Linda Taylor	Abbie Maclver / Bruce MacPherson	02/04/24 to 05/04/24
<i>10. Stores and Work in Progress - Stores</i>	<b>136</b>	Principal Accountants to review certificates and process final journal	Angela Tillery/Linda Taylor	Abbie Maclver / Bruce MacPherson	08/04/24 to 12/04/24
<i>Work in Progress</i>	<b>137</b>	Department prepares a valued list of Works in Progress	Linda Taylor	Departments	02/04/24 to 03/05/24
<i>Work in Progress</i>	<b>138</b>	Pass to Principal Accountant for Review and Journal Processing	Linda Taylor	Bruce MacPherson	06/05/24 to 07/05/24
<i>Work in Progress</i>	<b>139</b>	Consolidation Adjustments (if any)	Linda Taylor	Bruce MacPherson	08/05/2024
<b>Work in Progress</b>	<b>140</b>	<b>Finalise Lead Schedule and Working Papers</b>	<b>Linda Taylor</b>	<b>Lorna Jordan/Bruce MacPherson</b>	<b>08/05/2024</b>
<i>11. Control and Suspense Accounts - Control Accounts</i>	<b>141</b>	Templates & dates issued to Control Account Holder	Mary McCallum	Ailsa Laing	02/04/2024

### Appendix 1 - General Ledger Closedown Timetable

Work Area	Task No.	Task Description	Lead Responsibility 2023-24	Undertaking Task 2023-24	Proposed Completion Date 2023-24
11. Control and Suspense Accounts - Control Accounts	142	Issue report to Control Account Holders once all accruals posted for Pay07 & non-pay accruals	Mary McCallum	Ailsa Laing	22/04/2024
11. Control and Suspense Accounts - Control Accounts	143	Clear balance or complete Carry Forward of Control Account Balance form	Mary McCallum	Control Account Budget Holders	02/04/24 - 26/04/24
11. Control and Suspense Accounts - Control Accounts	144	Transfer of control account balances to Balance Sheet	Mary McCallum	Ailsa Laing	29/04/24 to 03/05/24
11. Control and Suspense Accounts - Control Accounts	145	Report issued to Suspense Account Holder	Mary McCallum	Ailsa Laing	02/04/2024
11. Control and Suspense Accounts - Control Accounts	146	Balance should be cleared (excluding payroll suspense which should be cleared by 12 April for Pay07 entries and 25 April for Pay10)	Mary McCallum	Departments	08/04/24 to 25/04/24
12. Journals and Feeders	147	Opening of April and Adjust Periods	Mary McCallum	Astrid Ronald	02/04/2024
12. Journals and Feeders	148	Departments prepare and input journals	Principal Accountants	Departments	02/04/24 - 26/04/24
12. Journals and Feeders	149	Dept's cut off date for journals	Mary McCallum	Departments	26/04/2024 5pm
12. Journals and Feeders	150	Processing of Central Finance journals	Mary McCallum	Astrid Ronald	29/04/2024
12. Journals and Feeders	151	Final feeders from roads costing to general ledger	Linda Taylor	Lynsey Gibson	02/04/24 to 03/05/24
12. Journals and Feeders	152	Preparation and input of any final journals identified	Principal Accountants	Departmental Support Teams	02/04/24 - 26/04/24
12. Journals and Feeders	153	Central support / departmental admin recharging	Mary McCallum	Mary McCallum	20/05/24-22/05/24
12. Journals and Feeders	154	Input of Live Argyll Journals and agreement of final Balance Sheet Position	Morag Cupples	Beth Walkosz	02/04/24 - 26/04/24
12. Journals and Feeders	155	Input of Council Tax & NDR Journals / Clearance of Raw Cash Accounts	Fergus Walker	Fergus Walker	02/04/24 - 10/05/24
13. Copy Budget Changes	156	Final date for submission of copy budget changes for 2023-24 year	Principal Accountants	Departmental Support Teams	12 noon on 08/05/24
13. Copy Budget Changes	157	Final date for processing of copy budget changes by FST	Mary McCallum	Finance Support Team	09/05/2024
<b>Closure of 2023-24 ledger</b>			<b>Mary McCallum</b>	<b>Astrid Ronald</b>	<b>24/05/2024</b>

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>1. (a) Year end monitoring</i>	<b>1</b>	Completion and return of earmarking requests	Principal Accountants	Finance Contacts	17/04/24 to 3/05/24
<i>1. (a) Year end monitoring</i>	<b>2</b>	Preparation of year-end monitoring reports	Mary McCallum	Mary McCallum / Iain Wylie	23/05/2024
<i>1. (a) Year end monitoring</i>	<b>3</b>	Perform year-end monitoring with departmental explanations	Principal Accountants	Finance Contacts	24/05/24-27/05/24
<i>1. (a) Year end monitoring</i>	<b>4</b>	Deadline for return of completed revenue monitoring	Principal Accountants	Principal Accountants	28/05/2024
<i>1. (a) Year end monitoring / 20. Revenue Budget Monitoring Report</i>	<b>5</b>	Preparation of Year-end Revenue Budget Monitoring Corporate Overview and Committee Report	Mary McCallum	Mary McCallum / Iain Wylie	29/05/2024
<i>1. (a) Year end monitoring / 19. Earmarked Reserves Report</i>	<b>6</b>	Preparation of Year-end Reserves Report	Mary McCallum	Mary McCallum / Iain Wylie	29/05/2024
<b>1. (a) Year end monitoring</b>	<b>7</b>	<b>Deadline for Reports to SMT</b>	<b>Mary McCallum</b>	<b>Mary McCallum / Iain Wylie</b>	<b>29/05/2024</b>
<i>1 (b) Analytical Review</i>	<b>8</b>	Preparation of analytical review	Mary McCallum	Mary McCallum / Iain Wylie	03/06/2024
<i>1 (b) Analytical Review</i>	<b>9</b>	Update analytical review with departmental explanations	Principal Accountants	Finance Contacts	04/06/24-20/06/24
<i>1 (b) Analytical Review</i>	<b>10</b>	Deadline for completion of analytical review	Principal Accountants	Principal Accountants	21/06/2024
<i>1 (b) Analytical Review</i>	<b>11</b>	Submit analytical review to Auditors	Mary McCallum	Mary McCallum / Iain Wylie	28/06/2024
<i>1 (c) LFR</i>	<b>12</b>	Run downloads for LFR returns	David Forshaw	David Forshaw	27/05/2024
<i>1 (c) LFR</i>	<b>13</b>	Complete Support Services Working Paper	David Forshaw	David Forshaw	27/05/2024
<i>1 (c) LFR</i>	<b>14</b>	Create LFR Return Working Paper Source File	David Forshaw	David Forshaw	TBC
<i>1 (c) LFR</i>	<b>15</b>	Prepare Individual Returns	David Forshaw	Fergus Walker / Gill Allenby / Lorna Jordan	TBC
<i>1 (c) LFR</i>	<b>16</b>	Check & submit	David Forshaw	David Forshaw	TBC
<i>2. Comprehensive Income and Expenditure Statement</i>	<b>17</b>	Run Retained Earnings Proof	Morag Cupples	Morag Cupples	27/05/2024

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>2. Comprehensive Income and Expenditure Statement</i>	<b>18</b>	Run Comprehensive Income & Expenditure download (cost centres, cost centres and account codes)	Morag Cupples	Morag Cupples	27/05/2024
<i>2. Comprehensive Income and Expenditure Statement</i>	<b>19</b>	Final Outturn CI&E based on management structure	Morag Cupples	Morag Cupples	27/05/2024
<i>2. Comprehensive Income and Expenditure Statement</i>	<b>20</b>	Complete Comprehensive Income & Expenditure Statement	Morag Cupples	Morag Cupples	27/05/2024
<b>2. Comprehensive Income and Expenditure Statement</b>	<b>21</b>	<b>Comprehensive Income &amp; Expenditure Statement completed</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>27/05/2024</b>
<i>3. Expenditure and Funding Analysis</i>	<b>22</b>	Calculate adjustments between funding and accounting basis on management structure	Morag Cupples	Morag Cupples	27/05/2024
<i>3. Expenditure and Funding Analysis</i>	<b>23</b>	Complete Note 31 - Note to the Expenditure and Funding Analysis	Morag Cupples	Morag Cupples	27/05/2024
<b>3. Expenditure and Funding Analysis</b>	<b>24</b>	<b>Complete main Expenditure and Funding Analysis Statement</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>27/05/2024</b>
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>25</b>	Complete General Fund Earmarking Note (Note 6)	Mary McCallum	Mary McCallum / Iain Wylie	29/05/2024
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>26</b>	Complete Segmental Reporting Note for Accounts (Note 6) - Analysis of Expenditure and Income by Nature (Note 6.1) and Revenue from contracts with service recipients (Note 6.2)	Morag Cupples	Morag Cupples	27/05/2024
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>27</b>	Complete Other Operating Income and Expenditure Note (Note 8)	Morag Cupples	Morag Cupples	27/05/2024
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>28</b>	Complete Agency Income Note (Note 8)	David Forshaw	Morag Cupples	24/05/2024
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>29</b>	Community Care and Health (Scotland) Act 2002 (Note 10)	Angela Tillery	Abbie MacIver	13/05/24 to 17/05/24

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>30</b>	Complete Waste Management PPP note (Note 11)	Linda Taylor	Brenda Mitchell	15/05/24 to 17/05/24
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>31</b>	Complete Fees Payable to External Auditors note (Note 10)	Mary McCallum	Ailsa Laing	24/04/2024
<i>4. Comprehensive Income and Expenditure Statement Notes</i>	<b>32</b>	Complete Grant Income note (Note 12)	Mary McCallum	Bruce MacPherson/Mary McCallum	15/05/24 to 17/05/24
<i>Related Parties (Note 13)</i>	<b>33</b>	Arrange for related party letters to be sent to members and senior officers	Sandra Coles	Fiona Ferguson	26/02/2024
<i>Related Parties (Note 13)</i>	<b>34</b>	Scottish Government (Note 13.1) - check narrative.	Sandra Coles	Liza McNaughton	15/05/2024
<i>Related Parties (Note 13)</i>	<b>35</b>	Complete Members related party transactions exceeding £10k table (Note 13.2)	Sandra Coles	Liza McNaughton	13/05/24 to 17/05/24
<i>Related Parties (Note 13)</i>	<b>36</b>	Complete other related bodies note, identifying those that exceed £10k (Note 13.3)	Sandra Coles	Liza McNaughton	13/05/24 to 17/05/24
<b><i>Related Parties (Note 13)</i></b>	<b>37</b>	<b>Comprehensive Income &amp; Expenditure Statement Notes completed</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>20/05/2024</b>
<i>5. Balance Sheet - PPE (Note 14)</i>	<b>38</b>	Complete Movement in Property Plant and Equipment note (Note 15.1)	Lorna Jordan	Bruce MacPherson	20/05/23 to 27/05/23
<i>5. Balance Sheet - PPE (Note 14)</i>	<b>39</b>	Complete Valuation of Property, Plant and Equipment note (Note 15.2)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>5. Balance Sheet - PPE (Note 14)</i>	<b>40</b>	Depreciation Narrative (Note 15.3)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>5. Balance Sheet - PPE (Note 14)</i>	<b>41</b>	Summary of Capital Expenditure and Financing (Note 15.4)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>5. Balance Sheet - PPE (Note 14)</i>	<b>42</b>	Commitments under Capital Contracts (15.5)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>Heritage Assets (Note 15)</i>	<b>43</b>	Provide Reconciliation of Carrying Values	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>Heritage Assets (Note 15)</i>	<b>44</b>	Complete Heritage Asset Disclosures (Note 16)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>Intangible Fixed Assets Note (Note 16)</i>	<b>45</b>	Complete Movement in Intangible Fixed Assets note (Note 17)	Lorna Jordan	Bruce MacPherson	27/05/2024

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Investment Property (Note 17)</i>	<b>46</b>	Investment Property (Note 18) - check narrative.	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>Investment Property (Note 17)</i>	<b>47</b>	Complete Movement in Investment Property note (Note 18.1)	Lorna Jordan	Bruce MacPherson	27/05/2024
<i>Investment Property (Note 17)</i>	<b>48</b>	Calculate Investment Property Income and Expenditure and complete note (Note 18.2), ensure reconciles to analysis of investment income on face of CI&E	Morag Cupples	Liza McNaughton	27/05/2024
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	<b>49</b>	Complete Assets Held under Schools NPDO /Hub Schools contract note (Note 19 / 19.1)	Morag Cupples	Lorna Jordan/Bruce MacPherson	27/05/2024
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	<b>50</b>	Complete Schools NPDO /Hub Schools Finance Lease Liability note (Note 19.2)	Morag Cupples	Morag Cupples	26/04/2024
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	<b>51</b>	Complete Payments due to Operator Under Schools NPDO Contract note (Note 19.3)	Morag Cupples	Morag Cupples	26/04/2024
<i>Schools Non Profit Distributing Organisation (Note 18)</i>	<b>52</b>	Complete Payments due to Operator under Hub Schools (Note 19.4)	Morag Cupples	Morag Cupples	26/04/2024
<i>Operating Leases (Note 19)</i>	<b>53</b>	Request information from departments re operating leases	Morag Cupples	Sandra Coles	11/03/2024
<i>Operating Leases (Note 19)</i>	<b>54</b>	Departments complete operating lease template	Morag Cupples	Sandra Coles	11/03/24 to 19/04/24
<i>Operating Leases (Note 19)</i>	<b>55</b>	Complete Operating Leases - Amounts Paid to Lessors note (Note 19.1)	Morag Cupples	Sandra Coles	11/03/24 to 19/04/24
<i>Operating Leases (Note 19)</i>	<b>56</b>	Complete Assets Held Under Operating Leases note (Note 19.2)	Morag Cupples	Sandra Coles	11/03/24 to 19/04/24
<i>Finance Leases (Note 20)</i>	<b>57</b>	Request information from departments re finance leases	Morag Cupples	Morag Cupples	11/03/2024
<i>Finance Leases (Note 20)</i>	<b>58</b>	Complete Finance Leases - Amounts Paid to Lessors note (Note 20.1)	Morag Cupples	Morag Cupples	22/04/2024
<i>Finance Leases (Note 20)</i>	<b>59</b>	Complete Assets Held Under Finance Leases note (Note 20.2)	Morag Cupples	Morag Cupples	22/04/2024
<i>Finance Leases (Note 20)</i>	<b>60</b>	Complete Finance Lease Liability note (Note 20.3)	Morag Cupples	Morag Cupples	22/04/2024



**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Long Term Debtors/Investments (Note 21)</i>	<b>61</b>	House Loans (Working Papers Completed)	Mary McCallum	Duncan MacBrayne	12/04/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>62</b>	Waste PPP Land Contamination Fund	Morag Cupples	Sandra Coles	12/04/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>63</b>	Calculation of Charging Orders - Care Home Fees LT Debtor and completion of associated working papers	Angela Tillery	Abi Harley / Moira Wood	12/04/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>64</b>	SHF - Loans to Registered Social Landlords	Morag Cupples	Sandra Coles	12/04/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>65</b>	ALIEA - Alienergy long term debt	David Forshaw	Lorna Jordan	12/04/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>66</b>	Calculation and working papers for Other Long Term Debtors (if any)	Morag Cupples	Morag Cupples	17/05/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>67</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	17/05/2024
<i>Long Term Debtors/Investments (Note 21)</i>	<b>68</b>	Completion of LT Debtor Note (21)	Morag Cupples	Morag Cupples	17/05/2024
<i>Short Term Debtors (Note 22)</i>	<b>69</b>	Local Tax Collection Debtors - Production of working papers	Fergus Walker	Fergus Walker	06/05/24-10/05/24
<i>Short Term Debtors (Note 22)</i>	<b>70</b>	Sundry Debtor Accounts - Production of Working Papers	Fergus Walker	Jennifer Gorman	15/04/24 to 19/04/24
<i>Short Term Debtors (Note 22)</i>	<b>71</b>	Housing Benefit Overpayments - Production of Working Papers	Fergus Walker	Fergus Walker	11/04/24 to 17/04/24
<i>Short Term Debtors (Note 22)</i>	<b>72</b>	Check the Discretionary Housing Payment Subsidy from the Scottish Government	Fergus Walker	Fergus Walker	17/05/2024
<i>Short Term Debtors (Note 22)</i>	<b>73</b>	VAT Debtor - Production of Working Papers	Morag Cupples	Sandra Coles	26/04/2024
<i>Short Term Debtors (Note 22)</i>	<b>74</b>	Net Debtor/Creditor to Scottish Government for NDR - Finalise Working Papers	Fergus Walker	Mary McCallum	15/05/20234

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Short Term Debtors (Note 22)</i>	<b>75</b>	Other Debtors - Provision of working papers from various departments	Morag Cupples	Departments	13/05/24 to 17/05/24
<i>Short Term Debtors (Note 22)</i>	<b>76</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	20/05/2024
<i>Short Term Debtors (Note 22)</i>	<b>77</b>	Debtors Note (23)	Morag Cupples	Morag Cupples	20/05/2024
<i>Assets Held for Sale (Note 23)</i>	<b>78</b>	Complete Assets Held for Sale Note (24)	Lorna Jordan	Bruce MacPherson	24/05/2024
<i>Assets Held for Sale (Note 23)</i>	<b>79</b>	Finalise Lead Schedule and Working Papers	Lorna Jordan	Bruce MacPherson	24/05/2024
<i>Cash and Cash Equivalents (Note 24)</i>	<b>80</b>	Cash Held by the Authority (Imprests) - provide working papers	Sandra Coles	Graham Munro	22/04/24 to 24/04/24
<i>Cash and Cash Equivalents (Note 24)</i>	<b>81</b>	Cash in Transit - Working Papers	Morag Cupples	Alison McGeachy/Sandra Coles	08/05/24 to 10/05/24
<i>CC&amp;E - Short Term Deposits</i>	<b>82</b>	Council Investments - reconciliation and working papers	Morag Cupples	Sandra Coles	26/04/2024
<i>CC&amp;E - Short Term Deposits</i>	<b>83</b>	BoS Corporate Deposit - working papers	Morag Cupples	Sandra Coles	17/04/2024
<i>CC&amp;E - Short Term Deposits</i>	<b>84</b>	CB Instant Access Account - working papers	Morag Cupples	Sandra Coles	17/04/2024
<i>CC&amp;E - Short Term Deposits</i>	<b>85</b>	Money Market Funds	Morag Cupples	Sandra Coles	17/04/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>86</b>	Income Bank Account - working papers	Morag Cupples	Alison McGeachy	26/04/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>87</b>	Expenditure Bank Account - working papers	Morag Cupples	Creditors	26/04/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>88</b>	Housing Benefits Bank Account - working papers	Morag Cupples	Sharon Leitch	26/04/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>89</b>	Council Tax / NDR Bank Account - working papers	Morag Cupples	Alison McGeachy	26/04/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>90</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Sandra Coles	10/05/2024
<i>CC&amp;E - Bank Overdraft Working Papers</i>	<b>91</b>	Complete Cash and Cash Equivalents Note (24)	Morag Cupples	Sandra Coles	10/05/2024
<i>Creditors (Note 25)</i>	<b>92</b>	Accrued Payrolls - Pull overall figure together for Accrued Payrolls	Mary McCallum	Ailsa Laing / Duncan MacBrayne	26/04/2024

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<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Superannuation</i>	<b>93</b>	Teachers - Identification of year end balance on teachers superannuation control account as at 31 March 2021	Mary McCallum	Ailsa Laing	03/05/2024
<i>Superannuation</i>	<b>94</b>	Non-teachers - Identification of year end balance on non-teachers superannuation control account as at 31 March 2021	Mary McCallum	Ailsa Laing	03/05/2024
<i>Short Term Accumulating Absences</i>	<b>95</b>	Teachers - Provision of working papers for creditors	Mary McCallum	Mary McCallum	12/04/2024
<i>Short Term Accumulating Absences</i>	<b>96</b>	Non Teachers - Provision of working papers for creditors	Mary McCallum	Mary McCallum	12/04/2024
<i>Creditors Core Payables</i>	<b>97</b>	Creditors System Liability (Core Payables) - Working papers/discoverer report	Mary McCallum	Duncan MacBrayne	02/04/2024
<i>Accruals/Deferred Income</i>	<b>98</b>	Accrued Expenditure/deferred income - Pull summary sheet together with links to templates to help auditors choose sample	Mary McCallum	Margaret Ellis	26/04/2024
<i>Other Creditors</i>	<b>99</b>	Other Creditors - various Departmental Support (coordination of working papers)	Mary McCallum	Mary McCallum	01/05/24 to 03/05/24
<i>Other Creditors</i>	<b>100</b>	Finalise Lead Schedule and working Papers	Mary McCallum	Mary McCallum	08/05/2024
<i>Other Creditors</i>	<b>101</b>	Complete Creditors Note (25)	Mary McCallum	Mary McCallum	08/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>102</b>	Completion of Borrowings/Financial Instruments Working Papers	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>103</b>	Financial Instruments - Types - Note 26.1	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>104</b>	Financial Instruments - Fair Value - Note 26.2	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>105</b>	Financial Instruments - Gains and Losses - Note 26.3	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>106</b>	Financial Instruments - Risks - Note 26.4 to 26.9	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>107</b>	Financial Instruments - Note 26.10 to 26.11	Morag Cupples	Morag Cupples	24/05/2024
<i>Borrowings (Financial Instruments) - Note 26</i>	<b>108</b>	Borrowings/Financial Instruments - Complete Accounts	Morag Cupples	Morag Cupples	24/05/2024
<i>Other Liabilities (Note 27)</i>	<b>109</b>	Finance Lease Liability	Sandra Coles/Anne Blue	Morag Cupples	24/05/2024
<i>Other Liabilities (Note 27)</i>	<b>110</b>	Schools NPDO/Hub Schools Finance Lease Liability	Margaret Moncur	Morag Cupples	26/04/2024

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<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Other Liabilities (Note 27)</i>	<b>111</b>	Waste PPP Land Contamination - Provision of working paper, same as long term debtor.	Morag Cupples	Sandra Coles	17/04/2024
<i>Other Liabilities (Note 27)</i>	<b>112</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Sandra Coles	26/04/2024
<i>Other Liabilities (Note 27)</i>	<b>113</b>	Complete Other Liabilities Note (28)	Morag Cupples	Sandra Coles	26/04/2024
<i>Other Liabilities (Note 27)</i>	<b>114</b>	Equal Pay Claims - Contact HR for information	Abbie Maclver	Abi Harley	01/03/2024
<i>Other Liabilities (Note 27)</i>	<b>115</b>	Equal Pay Claims - Calculate provision and provide working papers. Ensure we contact HR early for information	Abbie Maclver	Abi Harley	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>116</b>	Registered Social Landlords - Calculate provision and provide working papers	Fergus Walker	Fergus Walker	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>117</b>	Reorganisation Redundancy Costs - Calculate provision and provide working papers	Mary McCallum	Mary McCallum	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>118</b>	Landfill Sites - Restoration and Aftercare Costs - Calculate provision and provide working papers	Morag Cupples	Morag Cupples	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>119</b>	Utilities Provision - Calculate provision and provide working papers	Sharon Macalister	Liza McNaughton	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>120</b>	Other Provisions - Coordinate calculation of 'other' provisions and obtain working papers	Morag Cupples	Morag Cupples	01/05/24 to 03/05/24
<i>Other Liabilities (Note 27)</i>	<b>121</b>	Split Provisions between short and long term	Morag Cupples	Morag Cupples	22/05/2024
<i>Other Liabilities (Note 27)</i>	<b>122</b>	Provisions Note (28) - check narrative	Morag Cupples	Morag Cupples	22/05/2024
<i>Other Liabilities (Note 27)</i>	<b>123</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	22/05/2024
<i>Capital Grants Received in Advance (Note 29)</i>	<b>124</b>	Finalise Lead Schedule and Working Papers	Morag Cupples	Morag Cupples	22/05/2024
<i>Capital Grants Received in Advance (Note 29)</i>	<b>125</b>	Complete Capital Grants Received in Advance Note (29)	Morag Cupples	Morag Cupples	22/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>126</b>	Calculation of Accrued Pension Contribution (31.1)	Abbie Maclver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>127</b>	Transactions Relating to Retirement Benefits (31.2)	Abbie Maclver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>128</b>	Assets and Liabilities in Relation to Post Employment Benefits (31.3)	Abbie Maclver	Abi Harley	03/05/2024

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<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Pension Assets and Liabilities (Note 30)</i>	<b>129</b>	Pension Assets and Liabilities Recognised in the Balance Sheet (31.4)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>130</b>	Analysis of Pension Fund Assets (31.5)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>131</b>	Basis for Estimating Assets and Liabilities (31.6)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>132</b>	Asset and Liability Matching Strategy (31.7)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>133</b>	Impact on Authority's Cash Flow (31.8)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>134</b>	Teachers' Pensions - Amount Paid Over (31.9)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>135</b>	Teachers' Pensions - Check Contribution Rate (31.9)	Abbie MacIver	Abi Harley	03/05/2024
<i>Pension Assets and Liabilities (Note 30)</i>	<b>136</b>	Teachers' Pensions - Added Years awarded by Council Calculation (31.9)	Abbie MacIver	Abi Harley	03/05/2024
<b><i>Pension Assets and Liabilities (Note 30)</i></b>	<b>137</b>	<b>Balance Sheet Notes Complete</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>10/05/2024</b>
<i>6. Other Notes to the Financial Statements</i>	<b>138</b>	Note 1 - Review and amend accounting policies	Morag Cupples	Morag Cupples	23/02/2024
<i>6. Other Notes to the Financial Statements</i>	<b>139</b>	Note 2 - Accounting Standards Issued but Not Yet Adopted	Morag Cupples	Morag Cupples	23/02/2024
<i>6. Other Notes to the Financial Statements</i>	<b>140</b>	Note 3 - Critical Judgements in Applying Accounting Policies	Morag Cupples	Morag Cupples	03/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>141</b>	Note 4 - Assumptions / Estimation Uncertainty	Morag Cupples	Morag Cupples	24/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>142</b>	Note 4 - Assumptions / Estimation Uncertainty - Reduction of 1 year in useful life impact on Depn	Morag Cupples	Bruce MacPherson	24/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>143</b>	Note 4 - Assumptions / Estimation Uncertainty - DRC assets not valued in year	Morag Cupples	Lorna Jordan	24/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>144</b>	Note 4 - Assumptions / Estimation Uncertainty - Pensions Liability - sensitivities	Morag Cupples	Lorna Jordan	24/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>145</b>	Note 34 - Contingent Liabilities (consider alongside provisions)	Morag Cupples	Morag Cupples	03/05/2024

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<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>6. Other Notes to the Financial Statements</i>	<b>146</b>	Note 35 - Termination Benefits (consider alongside Exit Packages)	Mary McCallum	Mary McCallum	03/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>147</b>	Note 36 - Trust Funds and Other Third Party Funds (Part of preparing accounts for charities and other trusts)	Mary McCallum	Iain Wylie	03/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>148</b>	Note 37 - Common Good Funds (Prepare Accounts for Common Good Funds and collate information for Oban and Campbeltown Funds)	Mary McCallum	Iain Wylie	03/05/2024
<i>6. Other Notes to the Financial Statements</i>	<b>149</b>	Note 38 - Tax Incremental Financing (TIF) Projects Links to NDR Income Account	Morag Cupples/Fergus Walker	Morag Cupples	17/05/2024
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	<b>150</b>	Analysis of General Fund Balance Movement	Morag Cupples	Morag Cupples	17/05/2024
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	<b>151</b>	Analysis of amounts included in CI&E but excluded from General Fund	Morag Cupples	Morag Cupples	17/05/2024
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	<b>152</b>	Analysis of amounts included in General Fund but excluded from CI&E	Morag Cupples	Morag Cupples	17/05/2024
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	<b>153</b>	Transfer to from General Fund Balance	Morag Cupples	Morag Cupples	17/05/2024
<i>7. Statement of Movement in Reserves - General Fund Balance</i>	<b>154</b>	Breakdown of amounts additional to surplus/deficit on CI&E	Morag Cupples	Morag Cupples	17/05/2024
<i>Other Usable Reserves (Note 33)</i>	<b>155</b>	Usable Capital Receipts Reserve	Morag Cupples	Sandra Coles	03/05/2024
<i>Other Usable Reserves (Note 33)</i>	<b>156</b>	Capital Fund	Morag Cupples	Sandra Coles	03/05/2024
<i>Other Usable Reserves (Note 33)</i>	<b>157</b>	Complete Capital Funds Note (33.1)	Morag Cupples	Sandra Coles	03/05/2024
<i>Other Usable Reserves (Note 33)</i>	<b>158</b>	Completion of Education R&R Fund Entries and Working Papers	Sharon Macalister	Gill Allenby/Sandra McLindon	10/05/2024
<i>Other Usable Reserves (Note 33)</i>	<b>159</b>	Process Ledger entries through MiR Statement	Sharon Macalister	Gill Allenby/Sandra McLindon	10/05/2024

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<i>Other Usable Reserves (Note 33)</i>	<b>160</b>	Complete Repairs and Renewals Note (33.2)	Sharon Macalister	Gill Allenby/Sandra McLindon	10/05/2024
<i>Unusable Reserves (Note 32)</i>	<b>161</b>	Revaluation Reserve - Check Narrative	Morag Cupples	Morag Cupples	03/05/2024
<i>Unusable Reserves (Note 32)</i>	<b>162</b>	Capital Adjustment Account - Check Narrative	Morag Cupples	Morag Cupples	03/05/2024
<i>Unusable Reserves (Note 32)</i>	<b>163</b>	Financial Instruments Adjustment Account - Check Narrative	Morag Cupples	Morag Cupples	03/05/2024
<i>Unusable Reserves (Note 32)</i>	<b>164</b>	Pensions Reserve - Check Narrative	Morag Cupples	Abbie MacIver	17/05/2024
<i>Unusable Reserves (Note 32)</i>	<b>165</b>	Accumulated Absences Account - Check Narrative	Morag Cupples	Mary McCallum	10/05/2024
<b><i>Unusable Reserves (Note 32)</i></b>	<b>166</b>	<b>Statement of Movement in Reserves Complete</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>17/05/2024</b>
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>167</b>	Revaluation Reserve	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>168</b>	Capital Adjustment Account	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>169</b>	Capital Activities Cash/Non Cash Transactions	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>170</b>	Other Revenue Items not involving the movement of funds	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>171</b>	Accrual Adjustments	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>172</b>	Complete Operating Activities (Note 39)	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>8. Cash Flow Statement - Analysis of Balance Sheet Movements</i>	<b>173</b>	Complete Operating Activities Section of Statement	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>Other Cash Flow Activities</i>	<b>174</b>	Investing Activities (Note 40)	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24
<i>Other Cash Flow Activities</i>	<b>175</b>	Financing Activities (Note 41)	Morag Cupples	Morag Cupples	29/05/24 to 03/06/24

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<b>Other Cash Flow Activities</b>	<b>176</b>	<b>Cash Flow Statement Complete</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>03/06/2024</b>
9. Council Tax Income Account	177	Prepare CTI Main Accounting Statement	Fergus Walker	Fergus Walker	07/05/24-10/05/24
9. Council Tax Income Account	178	Prepare and complete Calculation of Council Tax Base note	Fergus Walker	Fergus Walker	10/05/2024
<b>9. Council Tax Income Account</b>	<b>179</b>	<b>Council Tax Income Account Complete</b>	<b>Fergus Walker</b>	<b>Fergus Walker</b>	<b>10/05/2024</b>
10. NDR Income Account	180	NDRI Main Accounting Statement	Fergus Walker	Fergus Walker	13/05/2024
10. NDR Income Account	181	Analysis of Rateable Values	Fergus Walker	Fergus Walker	13/05/2024
10. NDR Income Account	182	NDR Charge	Fergus Walker	Fergus Walker	13/05/2024
<b>10. NDR Income Account</b>	<b>183</b>	<b>NDR Income Account Complete</b>	<b>Fergus Walker</b>	<b>Fergus Walker</b>	<b>13/05/2024</b>
11. Remuneration Report	184	Councillors - Review Narrative on policy and arrangements for changes	Morag Cupples	Morag Cupples/Mary McCallum	08/03/2024
11. Remuneration Report	185	Completion of Pension Template for Senior Officers/Senior Members and submit to Pensions Office.	Mary McCallum	Iain Wylie	10/04/2024
11. Remuneration Report	186	Councillors Remuneration	Mary McCallum	Iain Wylie	10/05/2024
11. Remuneration Report	187	Senior Councillors' Remuneration	Mary McCallum	Iain Wylie	10/05/2024
11. Remuneration Report	188	Obtain Pension Information for Senior Members	Mary McCallum	Iain Wylie	10/04/2024
11. Remuneration Report	189	Senior Councillors Pension Benefits	Mary McCallum	Iain Wylie	10/05/2024
11. Remuneration Report	190	Review policy and arrangements - senior employees Narrative	Morag Cupples	Morag Cupples/Mary McCallum	08/03/2024
11. Remuneration Report	191	Employees remuneration (Bands over £50,000)	Mary McCallum	Ailsa Laing/ Iain Wylie	10/05/2024
11. Remuneration Report	192	Senior Employees' Remuneration	Mary McCallum	Iain Wylie	10/05/2024
11. Remuneration Report	193	Obtain Pension Information for Senior Employees	Mary McCallum	Iain Wylie	10/04/2024
11. Remuneration Report	194	Senior Employees' Pension Benefits	Mary McCallum	Iain Wylie	10/05/2024
11. Remuneration Report	195	Employee Exit Packages (consider alongside provisions)	Mary McCallum	Iain Wylie	03/05/2024
<b>11. Remuneration Report</b>	<b>196</b>	<b>Remuneration Report Complete</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>10/05/2024</b>
12.Group Accounts	197	Determination of Group Structure	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	28/02/2024
12.Group Accounts	198	Single Entity Accounts	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12.Group Accounts	199	Common Good Accounts	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12.Group Accounts	200	Associates Accounts	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24



**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
12. Group Accounts	<b>201</b>	Health and Social Care Integration Accounts	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12. Group Accounts	<b>202</b>	Live Argyll - Leisure Trust Accounts (Group Consolidation)	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12. Group Accounts	<b>203</b>	Consolidation	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12. Group Accounts	<b>204</b>	Completion of Group Accounts and Notes	Morag Cupples/Anne Blue	Morag Cupples/Anne Blue	20/05/24 to 31/05/24
12. Group Accounts	<b>205</b>	Group Cashflow	Morag Cupples	Morag Cupples	20/05/24 to 31/05/24
<b>12. Group Accounts</b>	<b>206</b>	<b>Group Accounts and Notes Complete</b>	<b>Morag Cupples/Anne Blue</b>	<b>Morag Cupples/Anne Blue</b>	<b>31/05/2024</b>
13. Corporate Governance Statement	<b>207</b>	Completion of Corporate Governance Statement	Paul McAskill/Iain Jackson	Paul McAskill/Iain Jackson	By 31/05/2024
13. Corporate Governance Statement	<b>208</b>	Issue Assurance Statements to Chief Officers and ensure they are returned promptly	Paul McAskill/Iain Jackson	Paul McAskill/Iain Jackson	02/04/2024
14. Management Commentary	<b>209</b>	Completion of Management Commentary	Kirsty Flanagan/Head of Financial Services	Kirsty Flanagan/Head of Financial Services	By 31/05/2024
<b>14. Management Commentary</b>	<b>210</b>	<b>2022-23 ANNUAL ACCOUNTS COMPLETE</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>31/05/2024</b>
16. Treasury Management Annual Report	<b>211</b>	Complete Treasury Management Annual Report	Morag Cupples	Sandra Coles	13/05/24 to 31/05/24
17. Year-end Capital Plan Monitoring Report	<b>212</b>	Complete Year-end Capital Plan Monitoring Report and covering Committee Report	Morag Cupples	Linda Taylor	13/05/24 to 24/05/24
18. Strategic Housing Fund Annual Report	<b>213</b>	Complete Strategic Housing Fund Annual Report	Morag Cupples	Douglas Whyte	13/05/24 to 24/05/24
21. S106 Charity Accounts Prepared	<b>214</b>	Prepare S106 Charity Accounts	Mary McCallum	Iain Wylie	13/05/24 to 24/05/24
22. Final Procedures	<b>215</b>	Strategic Management Team Meeting (SMT) - Draft to be tabled on the day	Kirsty Flanagan	Kirsty Flanagan	03/06/2024
22. Final Procedures	<b>216</b>	Section 95 Officer final review of Annual Accounts, and accompanying year end reports (See above 15-20)	Kirsty Flanagan	Kirsty Flanagan	29/05/24-30/05/24
22. Final Procedures	<b>217</b>	SMT/Full Council/ Audit Committee Papers ready (complete year end pack) to be sent Legal and Regulatory Support	Kirsty Flanagan	Kirsty Flanagan	31/05/2024
22. Final Procedures	<b>218</b>	Brief Council Leader/senior politicians on Annual Accounts and accompanying reports pack.	Kirsty Flanagan	Kirsty Flanagan	w/c - 27/05/2024
22. Final Procedures	<b>219</b>	Audit and Scrutiny Committee	Kirsty Flanagan	Kirsty Flanagan	13/06/2024

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
22. Final Procedures	<b>220</b>	Full Council Meeting	Kirsty Flanagan	Kirsty Flanagan	27/06/2024
22. Final Procedures	<b>221</b>	Signature by Section 95 Officer	Kirsty Flanagan	Kirsty Flanagan	28/06/2024
<b>22. Final Procedures</b>	<b>222</b>	<b>Unaudited Accounts produced and submitted to appointed auditor</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>28/06/2024</b>
<b>22. Final Procedures</b>	<b>223</b>	<b>Unaudited Accounts published on Local Authority website.</b>	<b>Mary McCallum</b>	<b>Elaine Maxwell</b>	<b>28/06/2024</b>
22. Final Procedures	<b>224</b>	Disclosure Checklist to be Completed	Morag Cupples		17/07/2024
23. Notice of Public Right to Inspect and Object to Accounts	<b>225</b>	Public Notice placed on Local Authority website / Social Media	Mary McCallum	Elaine Maxwell	28/06/2024
23. Notice of Public Right to Inspect and Object to Accounts	<b>226</b>	Public Notice placed in offices of the Local Authority	Mary McCallum	Elaine Maxwell	28/06/2024
23. Notice of Public Right to Inspect and Object to Accounts	<b>227</b>	Distribution of Unaudited Annual Accounts to Service Points / Publication online	Mary McCallum	Elaine Maxwell	28/06/2024
23. Notice of Public Right to Inspect and Object to Accounts	<b>228</b>	Period of Inspection of Unaudited Annual Accounts	General Public	General Public	29/06/24 to 19/07/24
23. Notice of Public Right to Inspect and Object to Accounts	<b>229</b>	Period for registering an objection	General Public	General Public	29/06/24 to 19/07/24
24. Whole of Government Accounts Return	<b>230</b>	Net Cost of Service Analysis	Morag Cupples	Morag Cupples	26/06/23 to 14/07/23
24. Whole of Government Accounts Return	<b>231</b>	Net Operating Expenditure (Group Accounts)	Morag Cupples	Morag Cupples	26/06/23 to 14/07/23
24. Whole of Government Accounts Return	<b>232</b>	Counter Party Data	Morag Cupples	Morag Cupples	26/06/23 to 14/07/23
24. Whole of Government Accounts Return	<b>233</b>	Infrastructure Assets	Morag Cupples	Departments - Roads and Amenity	26/06/23 to 14/07/23
24. Whole of Government Accounts Return	<b>234</b>	Additional Disclosures	Morag Cupples	Morag Cupples	26/06/23 to 14/07/23
<b>24. Whole of Government Accounts Return</b>	<b>235</b>	<b>Unaudited WGA Return complete and returned to Scottish Government</b>	<b>Morag Cupples</b>	<b>Morag Cupples</b>	<b>17/07/2024</b>
24. Whole of Government Accounts Return	<b>236</b>	Submission of Unaudited WGA Return to External Audit	Morag Cupples	Morag Cupples	26/07/2024

**Appendix 1 - Final Accounts Preparation Plan and Timetable**

<b>Work Area</b>	<b>Task No.</b>	<b>Task Description</b>	<b>Lead Responsibility 2023-24</b>	<b>Undertaking Task 2023-24</b>	<b>Completion Date 2023-24</b>
<b>24. Whole of Government Accounts Return</b>	<b>237</b>	<b>Sign off of WGA Return and electronic submission to Scottish Government</b>	<b>External Audit/Moira Miller</b>	<b>Morag Cupples</b>	<b>27/09/2024</b>
<b>25. Final Accounts Audit</b>	<b>238</b>	Final Accounts Audit Field Work	External Audit	External Audit	28/06/24 to 30/08/24
25. Final Accounts Audit	<b>239</b>	Final Clearance Meeting with Head of Strategic finance			23/08/2024
25. Final Accounts Audit	<b>240</b>	Amendments processed and Production of Final Accounts complete with Audit Certificate for signing	Morag Cupples	Morag Cupples	28/08/23 to 08/09/23
25. Final Accounts Audit	<b>241</b>	Production and agreement of ISA 260 report from External Audit	External Audit	External Audit	28/08/23 to 08/09/23
25. Final Accounts Audit	<b>242</b>	Audit Committee - Consideration of ISA 260 report and Final Audited Accounts	Audit Committee	Audit Committee	05/09/2024
25. Final Accounts Audit	<b>243</b>	Signing of Final Audited Accounts - Leader, Chief Executive, Head of Strategic Finance	Leader, Chief Executive, Head of Strategic Finance	Leader, Chief Executive, Head of Strategic Finance	05/09/2024
25. Final Accounts Audit	<b>244</b>	Signing of Final Audited Accounts - Audit Certificate			05/09/2024
<b>25. Final Accounts Audit</b>	<b>245</b>	<b>Signed Audited Annual Accounts published on Website and distributed to service points and libraries</b>	<b>Mary McCallum</b>	<b>Elaine Maxwell</b>	<b>20/09/2024</b>

**YEAR END 2023/2024**

**Appendix 2 - Schedule for Payroll, Overtime and Travel accruals**

<b>PAYRUN</b>	<b>MTH NO</b>	<b>PROCESSING DATE</b>	<b>PAY DATE</b>	<b>PERIOD ENDING</b>	<b>PAYROLL COSTS % ACCRUED/PREPAID</b>	<b>OVERTIME COSTS % ACCRUED</b>	<b>TIMESHEETS TO PAYROLL BY:</b>	<b>**TRAVEL CLAIMS TO CREDITORS BY:</b>	<b>TRAVEL &amp; SUBSISTENCE % ACCRUED</b>	<b>Additional Notes</b>
Pay 07 Monthly	01	05/04/2024	12/04/2024	15/04/2024	16/31sts accrued	100% accrued	02/04/2024	22/03/2024	100% accrued	Old Year Claims Only
Pay 10 Teachers	01	18/04/2024	25/04/2024	30/04/2024	100% part time hours for this period - See note *	N/A	16/04/2024	12/04/2024	100% accrued	Old Year Claims Only
Pay 10 Teachers	02	23/05/2024	30/05/2024	31/05/2024	See note *	N/A	21/05/2024	03/05/2024	N/A	N/A

Notes

\* Pay 10 Teachers Month 01: Part time Teachers hours and enhancements relating to March will be 100% accrued.

\*\* This relates to manual travel claims, not those through "my view" for which separate deadlines have been set by payroll.

\* Pay 10 - Month 02 accrual will be done by the Financial Services Accounting and Budgeting - Education Departmental Team. Due to timing of Month 01 period end date, it's unlikely there will be many March hours requiring accrual.

**Appendix 3 - Health and Social Care Partnership Timetable**

Work Area	Task Nbr	Task Description	2023/24 Dates	Lead Responsibility	Monitored / Actioned By	Comments
1. Stores & Work in Progress	1.1	Equipment store stock take to be completed	29/03/2024	Equipment Store Manager	Abbie	Abbie to liaise with equipment store manager
	1.2	Cut off date for submission of stock certificate and detailed working papers to IS Finance Team	05/04/2024	Equipment Store Manager	Abbie	Abbie to liaise with equipment store manager
	1.3	Cut off date for checking, signing and submission of stock certificates to Corporate Accounting	12/04/2024	Principal Accountant - Social Work	Angela	Check and agree stock certificate
	1.4	Calculate net movement in the value of equipment owned by the SW Equipment Store and provide to Principal Accountant - Social Work	12/04/2024	Principal Accountant - Social Work	Angela	Calculate the movement in the stock value and supply to Linda Taylor
2. Creditors Payments	2.1	Cut off date for submission of 2023/24 supplier invoices to creditors	22/03/2024	Department	Abbie / Angela	E-mail to areas to remind them about deadline
	2.2	Cut off date for processing of 2023/24 SW supplier invoices through payables	26/03/2024	Creditors Section	Creditors	Malcolm to let Angela know when all SW batches are processed
	2.3	Final cheque run processed involving SW invoices	27/03/2024	Creditors Section	Creditors	Malcom to let Angela know when payrun is posted to general ledger
3. Revenue Accruals	3.1	Accrued/Prepaid expenditure templates issued to department	05/02/2024	Finance Support Team	Astrid	
	3.2	IS Finance Team issue accrual/prepayment calculation templates to department	05/03/2024	SW Finance Team	Abbie / Angela	
	3.3	Department completes accrued/prepaid expenditure template	01/04/2024 - 09/04/2024	Department	Finance Contacts	Provide support to admin and budget holders as necessary, monitor progress. <b>Evidence only required for charges of £5k or more.</b>
	3.4	Accrued/prepaid expenditure template submitted to IS Finance Team for checking and consolidation	09/04/2024 - 5pm	Department	Finance Contacts	Make sure that all of the area service's templates have been returned
	3.5	Cut off date for checking and consolidation of accrued/prepaid expenditure templates for SW	12/04/2024 - 3pm	SW Finance Team	Abbie / Angela	Review templates and backup
4. PECOS	4.1	Issue SW PECOS reports to finance contacts for review and follow-up on queries with budget holders.	14/03/2024	PECOS Team	Angela	These reports are issued by PECOS team automatically
	4.2	Mismatches to be cleared from PECOS system	26/03/2024	Department	Finance Contacts	Monitor progress of requisitioners
	4.3	Unpaid PECOS orders report to be issued to IS Finance Team for inclusion on accruals template	03/04/2024	Finance Support Team	Astrid	
	4.4	PECOS accruals to be added to central template	12/04/2024 - 3pm	SW Finance Team	Josh	

**Appendix 3 - Health and Social Care Partnership Timetable**

Work Area	Task Nbr	Task Description	2023/24 Dates	Lead Responsibility	Monitored / Actioned By	Comments
5. Debtors	5.1	Cut off date for processing debtors invoices in 2023/24	28/03/2024	Department	Abbie / Angela	Include in year end instructions and issue reminder e-mail. Josh and Alison to prepare year end recharges to NHS
	5.2	Cut off date for preparing residential and non-residential care debtors accruals	12/04/2024 - 3pm	SW Finance Team	Moira and Alison	
	5.3	Calculate adjustment to bad debt provision	15/04/2024 - 17/04/2024	Debtors Team	Corporate	Should be completed by F Walker / D Forshaw - check to ensure that correct split between Council and IJB is in place for debt before and after 01/04/2016.
6. Payroll	6.1	Payroll 07 accrual prepared	19/04/2023	Finance Support Team	Angela	Astrid to let Angela know when completed
7. CareFirst	7.1	Cut off for processing of charges to be charged to 2023/24	26/03/2024 - 5pm	Department	Abbie / Angela	Instruction in year end guidance and e-mail reminder.
	7.2	Final payables interface generated from CareFirst	27/03/2024	SW Finance Team	Karen	
	7.3	Snapshot of outstanding transactions taken from CareFirst	27/03/2024	SW Finance Team	Karen	Run year end reports for homecare, residential care, direct payments, fostering and adoption
	7.4	Recommence processing of invoices via CareFirst - all to be charged to April 2024/25 with year end adjustments processed via accrued/prepaid expenditure templates	02/04/2024	Department / Creditors	Karen	Instruction in year end guidance and e-mail reminder
8. Long Term Debt - Charging Orders	8.1	Prepare charging order journal entries and agree with Corporate Team	15/04/2024	SW Finance Team	Abi / Angela	
9. TOTAL System Charges	9.1	Check that TRANMAN interface has been run for SW vehicles.	22/04/2024	Fleet Team	Tranman	To be confirmed with Cara/Tranman when run has been processed
10. Consolidation	10.1	Take snapshot of general ledger following payrun including last of the SW supplier invoices being processed into 2022/23	01/04/2024	SW Finance Team	Abbie / Angela	
	10.2	Create consolidation template to produce outturn	01/04/2024	SW Finance Team	Angela	
	10.3	Report outturn position to James and Kirsty	24/04/2024	SW Finance Team	Angela	Pass figure to James Gow, IJB CFO

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

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**1. EXECUTIVE SUMMARY**

- 1.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities. A requirement of the Code is for an annual Treasury Management Strategy Statement and Investment Strategy to be approved by Council for the forthcoming financial year. This report seeks Member's endorsement of the proposed Treasury Management Strategy Statement and Annual Investment Strategy. The report also sets out the policy for the repayment of loans fund advances for 2024-25.
- 1.2 If the Audit and Scrutiny Committee identify any recommendations in relation to the strategy these will be presented to full Council on 25 April 2024.
- 1.3 The Council uses Link Group as its external treasury management advisors. The Council recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.
- 1.4 Section 2 of the attached document outlines the Council's Capital Prudential and Treasury Indicators which Members are asked to endorse.
- 1.5 In 2016 new regulations were enacted by the Scottish Parliament, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, under which the Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year as detailed in section 2.6 of the strategy. The policy on repayment of loans fund advances in respect of capital expenditure by the Council is to ensure that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.
- 1.6 A review of the Council's loan fund advance repayments was undertaken in 2019-20 with advice from our external treasury management advisors. The review was undertaken to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.
- 1.7 The review considered new loans fund advances and historic loans fund advances to assess whether the repayment methodology was still the most prudent option. In doing so a revised policy on loans fund advance repayment profiling was introduced as follows:

For all new loans fund advances the policy for repayment is:

- **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
- **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream using a 5.1% annuity rate. This would be utilised where the asset will generate income which can be used to repay the debt or as a result of spend to save schemes where again the savings can be used to repay the loans fund advances.

- 1.8 During 2023-24 a decision was taken to repay three of our loans early to take advantage of a discount which was on offer. This has provided the Council with a one-off gain of £0.294m which will be transferred to the General Fund and can assist with budget pressures.
- 1.9 Section 3 of the document outlines the current actual external debt against the capital financing requirement highlighting any over or under borrowing. There is information on the interest rates projections and the borrowing strategy.
- 1.10 Section 4 of the document outlines the annual investment strategy. The Council's investment priorities will be security first, liquidity second and then return. It explains the creditworthiness policy and the use of Link Group Treasury Solutions in this respect as well as the Country and Sector limits.
- 1.11 There are a number of appendices in Section 5. Some of this information has been provided by the Council's external treasury management advisors.

## **2. RECOMMENDATIONS**

2.1 Members are requested to:

- a) Endorse the proposed Treasury Management Strategy Statement and Annual Investment Strategy and the indicators contained within.
- b) Note the continued use of the asset life method for the repayment of loan fund advances using a 5.1% annuity interest rate, with the exception of spend to save schemes where the funding/income profile method could be used.
- c) Note the proposed asset repayment periods as detailed within section 2.7 of the Treasury Management Strategy Statement.
- d) Note the ability to continue to use countries with a sovereign rating of AA- and above, as recommended by the Council's external treasury management advisors.

## **3. IMPLICATIONS**

- 3.1 Policy – Sets the policy for borrowing and investment decisions.
- 3.2 Financial – An effective Treasury Management Strategy forms a significant part of the Council's financial arrangements and its financial well-being.



- 3.3 Legal - None.
- 3.4 HR - None.
- 3.5 Fairer Scotland Duty – None.
  - 3.5.1 Equalities – None.
  - 3.5.2 Socio-Economic Duty – None.
  - 3.5.3 Islands Duty – None.
- 3.6 Climate Change – None.
- 3.7 Risk - This report does not require any specific risk issues to be addressed, however members will be aware that the management of risk is an integral part of the Council's treasury management activities.
- 3.8 Customer Service - None.
- 3.9 The Rights of the Child (UNCRC) – None.

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**  
**15 February 2024**

**Policy Lead for Finance and Commercial Services: Councillor Gary Mulvaney**

**APPENDICES**

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy 2024-25

For further information please contact: Anne Blue, Head of Financial Services  
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**Treasury Management Strategy Statement  
and Annual Investment Strategy 2024-2025**

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## 1 INTRODUCTION (Key Considerations)

### 2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and revisions have been included in the reporting framework from the 2023/24 financial year. This Authority, therefore, has to have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

#### The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes: -

##### Treasury management

Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances, which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity, which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

##### Service delivery

Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment, which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

##### Commercial return

Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

#### The revised Treasury Management Code will require an authority to implement the following: -

1. **Adopt a new liability benchmark treasury indicator** to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
2. **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
3. **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
4. Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;
5. **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations

from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the Authority's integrated revenue, capital and balance sheet monitoring;

6. **Environmental, social and governance (ESG)** issues to be addressed within an authority's treasury management policies and practices (TMP1).

**The main requirements of the Prudential Code relating to service and commercial investments are: -**

1. The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
2. An authority must not borrow to invest for the primary purpose of commercial return;
3. It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
4. An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
5. A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
6. Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

**An authority's Annual Investment Strategy should include: -**

1. The authority's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the authority's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
2. An assessment of affordability, prudence and proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);
3. Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
4. Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
5. Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the authority's overall strategy);

6. State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return;

As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.

However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).

## 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

*"The management of the local authority's borrowing, investments and 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."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

## 1.2 Treasury Management reporting

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

An **Annual Treasury Management Strategy Statement** (this report) – this is the first and most important report which is submitted to full Council before the start of the financial year. The Council approve this Strategy in February, after which the Audit and Scrutiny Committee have an opportunity to make comments and recommendations. If required the Strategy would then go back to Council in April to approve any amendments recommended by the Audit and Scrutiny Committee. The Strategy covers:

- The capital plans (including prudential indicators);
- A policy for the statutory repayment of debt, (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An Annual Investment strategy (the parameters on how investments are to be managed).

**A mid-year Treasury Management Review Report** - this will update Members with the progress on the capital position, amending prudential indicators as necessary and whether any policies require revision. Monitoring reports are submitted to each Policy and Resources Committee.

**An Annual Treasury Report** – this provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy. This report is presented to Council after the end of each financial year.

### **Capital Strategy**

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. Recently the capital strategy was updated and a new Capital Investment Strategy was approved by Policy and Resources Committee in August 2023.

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to Full Council. This role is undertaken by the Policy and Resources Committee.

**Quarterly reports** – In addition to the three major reports detailed above, from 2023-24 quarterly reporting (end of June/ end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Policy and Resources Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

## **1.3 Treasury Management Strategy for 2024/25**

The strategy for 2024/25 covers two main areas:

### **Capital issues**

- the capital expenditure plans and the associated prudential indicators.
- the policy for statutory repayment of loans fund advances

### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government in Scotland Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and Scottish Government loans fund



repayment regulations and investment regulations, particularly Finance Circulars 5/2010 and 7/2016.

## 1.4 Training

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny (Audit and Scrutiny Committee).

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”

In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

At the end of January 2023 a Treasury training session from Link Group was provided to all Elected Members and relevant officers at a Members seminar. This was followed by two further training sessions in June 2023, again provided by Link Group, to those Elected Members who sit on the Audit and Scrutiny Committee. Members have been advised to notify Financial Services as/when they feel further training sessions would be beneficial.

## 1.5 Treasury management consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management consultants.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## 2 CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024/25 – 2026/27

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

### 2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the 2024/25 budget setting.

The table below summarises the capital expenditure plans as outlined within the proposed capital plan 2024-27.

Capital Expenditure £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
<b>Executive Director - Douglas Hendry</b>					
Education	5,873	6,037	5,006	3,521	1,988
Facility Services - Shared Offices	640	1,910	3,343	977	382
Major Projects/CHORD	5,236	8,989	2,461	105	0
<b>Executive Director - Kirsty Flanagan</b>					
ICT	1,414	1,474	1,593	1,221	688
Roads and Infrastructure	18,650	24,731	46,640	44,028	21,602
Development and Economic Growth	3,124	3,424	2,653	0	0
<b>Live Argyll</b>	565	1,084	636	427	382
<b>Health and Social Care Partnership</b>	668	972	2,085	477	382
<b>Total</b>	<b>36,170</b>	<b>48,621</b>	<b>64,417</b>	<b>50,756</b>	<b>25,424</b>

The table below summarises the above capital expenditure plans and how capital or revenue resources are financing them. Any shortfall of resources results in a funding borrowing need. (The financing need excludes other long-term liabilities, such as PFI and leasing arrangements, which already include borrowing instruments.)

Capital Expenditure £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
<b>Total Capital Expenditure</b>	36,170	48,621	64,417	50,756	25,424
<b>Financed by:</b>					
Capital Receipts	568	1,424	1,689	1,037	0
Capital Grants	22,549	20,417	8,415	8,192	7,801
Capital Reserves	0	0	0	0	0
Revenue	2,938	22,845	11,043	1,020	0
<b>Net Financing need for the year</b>	<b>10,115</b>	<b>3,935</b>	<b>43,270</b>	<b>40,507</b>	<b>17,623</b>

## 2.2 The Council's Overall Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need.

Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as prudent annual repayments from revenue need to be made, called the Loan Fund Principal Repayment, which reflects the useful life of capital assets financed by borrowing. This charge reduces the CFR each year. From 1 April 2016, authorities may choose whether to use scheduled debt amortisation, (loans pool charges), or another suitable method of calculation in order to repay borrowing.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £111.5m of such schemes within the CFR.

The CFR projections are noted in the following table.

	2022/23	2023/24	2024/25	2025/26	2026/27
£'000	Actual	Estimate	Estimate	Estimate	Estimate
<b>Capital Financing Requirement</b>					
Opening CFR	307,100	291,782	320,025	351,103	378,802
Closing CFR	291,782	320,025	351,103	378,802	382,743
<b>Movement in CFR</b>	<b>(15,318)</b>	<b>28,243</b>	<b>31,078</b>	<b>27,699</b>	<b>3,941</b>
<b>Movement in CFR represented by</b>					
	2022/23	2023/24	2024/25	2025/26	2026/27
£'000	Actual	Estimate	Estimate	Estimate	Estimate
Net financing need for the year (above)	10,115	3,935	43,270	40,507	17,623
Service Concession Adjustment		36,038			
Less scheduled debt Amortisation	25,433	11,730	12,192	12,808	13,682
<b>Movement in CFR</b>	<b>(15,318)</b>	<b>28,243</b>	<b>31,078</b>	<b>27,699</b>	<b>3,941</b>

## 2.3 Liability Benchmark

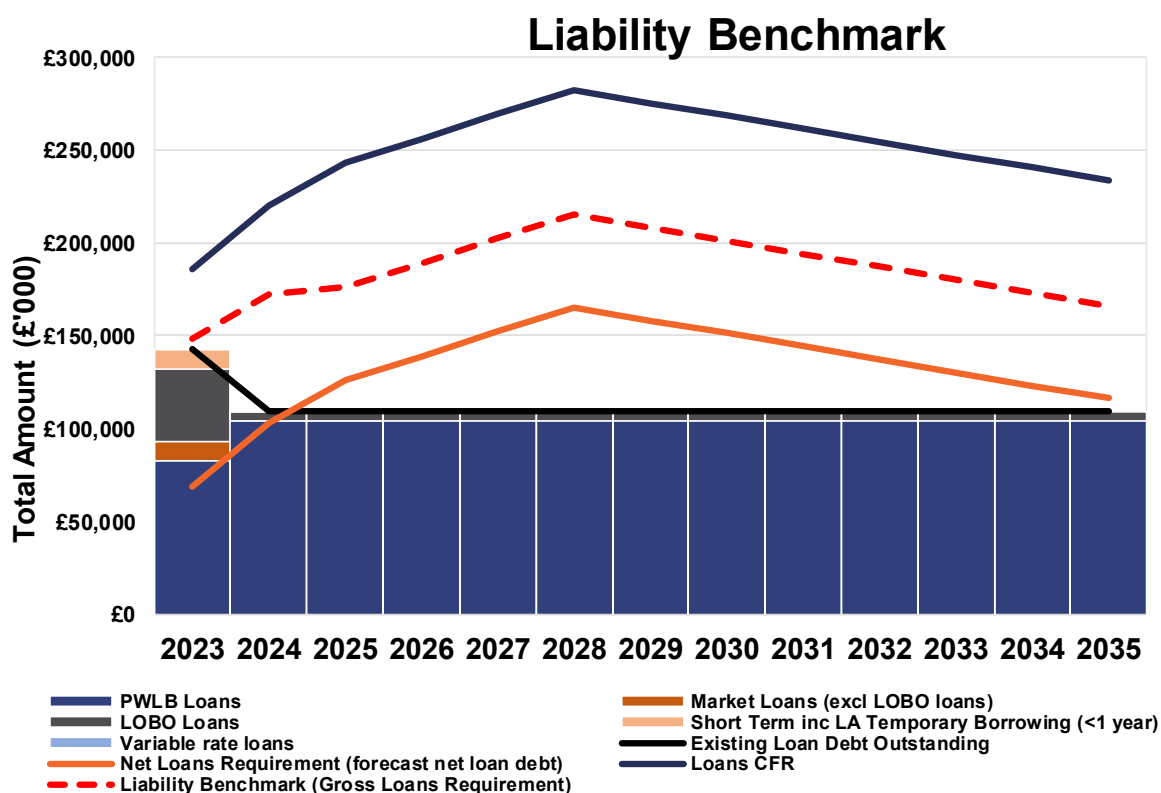
The Authority is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- 1 **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.

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

The graph below shows the four components for the Council:



## 2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances.

Year End Resources £'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Expected Investments	66,315	32,992	25,000	25,000	25,000

## 2.5 Limits to Borrowing Activity

**The operational boundary:** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

<b>Operational Boundary £'m</b>	<b>2022/23 Actual</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Debt	198	209	246	275	283
Other long term liabilities	107	112	106	106	101
<b>Total</b>	<b>305</b>	<b>321</b>	<b>352</b>	<b>381</b>	<b>384</b>

**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- a) The authorised limits for external debt for the current year and two subsequent years are the legislative limits determined under Regulation 6(1) of the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016.
- b) The Council is asked to approve the following authorised limit:

<b>Authorised Limit £'m</b>	<b>2022/23 Actual</b>	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>
Debt	203	214	251	280	288
Other long term liabilities	110	115	109	109	104
<b>Total</b>	<b>313</b>	<b>329</b>	<b>360</b>	<b>389</b>	<b>392</b>

## 2.6 Statutory repayment of loans fund advances

The Council is required to set out its policy for the statutory repayment of loans fund advances prior to the start of the financial year. The repayment of loans fund advances ensures that the Council makes a prudent provision each year to pay off an element of the accumulated loans fund advances made in previous financial years.

A variety of options are provided to Councils so long as a prudent provision is made each year. A review of the Council's loan fund advances was undertaken during 2019-20 to ensure the Council continues to make a prudent provision each year for the repayment of loans fund advances.

For all new loans fund advances the policy for the repayment is:-

1. **Asset life method** – loans fund advances will be repaid with reference to the life of an asset using a 5.1% annuity rate;
2. **Funding / Income profile method** – loans fund advances will be repaid by reference to an associated income stream.

The annuity rate applied to current loans fund repayments is based on historic interest rates over a 15 year period ensuring that a prudent rate is used. The current rate is 2.52%, however it is still considered prudent to use the average historic rate at this time.

## 2.7 Asset Repayment Periods

Using the asset life method, the Council is required to ensure that the debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The table below details the repayment period that applies for each asset type.

<b>Asset Type</b>	<b>Repayment Period (Years)</b>
Land (including cemeteries)	100
Road Structures - Bridges, Retaining Walls, Sea Walls, Flood Defences	60
Piers and Harbours - Major Structural Work	60
Piers and Harbours - Medium Term Works e.g painting/cathodic protection	20
Piers and Harbours - Limited Lifespan Improvements	10
Roads and Footways	20
Street Lighting	30
Vehicles & Plant	7
IT Equipment	5
Major Regeneration Works (Public Realm etc)	60
New Builds including Schools	60
Buildings - Electrical	40
Buildings - Plant	20
Buildings - Roofing	35
Buildings - Windows & External Doors	20
Buildings - Structural	25

### 3 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2023 and at 31 December 2023 are shown below for both borrowing and investments.

A more detailed analysis of the above table showing actual investments placed with individual counterparties can be found in Appendix 2.

<b>TREASURY PORTFOLIO</b>				
	<b>Actual</b>	<b>Actual</b>	<b>Current</b>	<b>Current</b>
	<b>31.03.23</b>	<b>31.03.23</b>	<b>31.12.23</b>	<b>31.12.23</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Treasury investments</b>				
Banks	31,976	41%	37,779	52%
Building Societies - rated	0	0%		0%
Local Authorities	35,000	45%	15,000	22%
Money Market Funds	6,850	9%	4,150	21%
Certificates of Deposit	0	0%		0%
Third Party Loans	3,655	5%	3,551	5%
<b>Total Managed In-house</b>	<b>77,481</b>	<b>100%</b>	<b>60,480</b>	<b>100%</b>
Bond Funds	0			
Property Funds	0			
<b>Total Managed Externally</b>		<b>0%</b>	<b>0</b>	<b>0%</b>
<b>Total Treasury Investments</b>	<b>77,481</b>	<b>100%</b>	<b>60,480</b>	<b>100%</b>
<b>Treasury External Borrowing</b>				
PWLB	82,877	58%	103,877	95%
LOBOs	39,255	28%	0	0%
Market	10,000	7%	5,255	5%
Special	8	0%	5	0%
Temporary Borrowing	10,378	7%	222	0%
Local Bonds	18	0%	18	0%
<b>Total External Borrowing</b>	<b>142,536</b>	<b>100%</b>	<b>109,377</b>	<b>100%</b>
<b>Total Treasury Investments</b>	<b>(65,055)</b>		<b>(48,897)</b>	

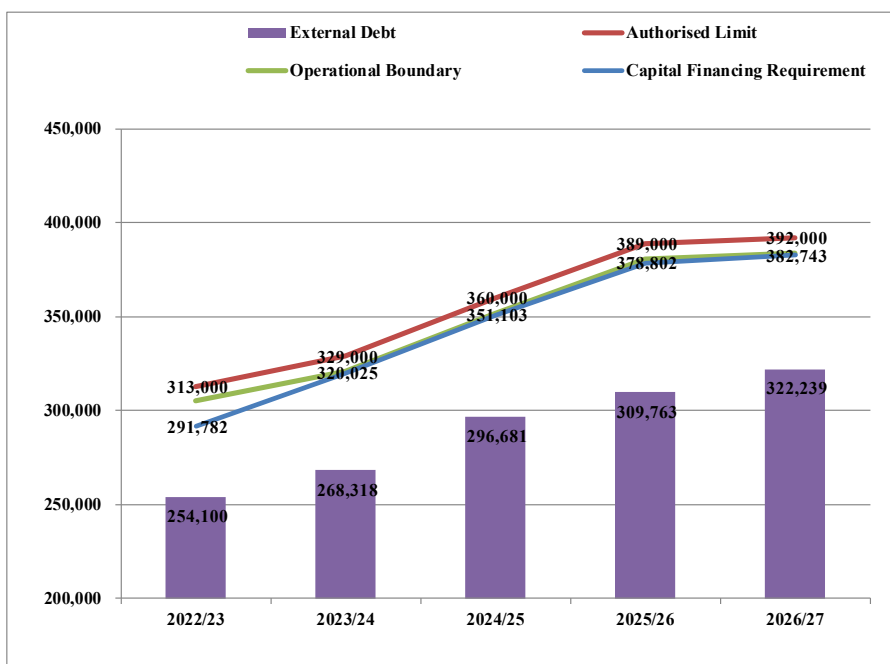


The Council's forward projections for borrowing, are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£'000	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
<b>External Debt</b>					
Debt as 1st April	177,934	142,536	162,534	190,835	209,152
Change in Debt (In Year)	(35,398)	19,998	28,301	18,317	18,320
Other long-term liabilities (OLTL) at 1st April	116,681	111,564	105,784	105,846	100,611
Change in OLTL (In Year)	(5,117)	(5,780)	62	(5,235)	(5,844)
<b>Actual gross debt at 31st March</b>	<b>254,100</b>	<b>268,318</b>	<b>296,681</b>	<b>309,763</b>	<b>322,239</b>
<b>The Capital Financing Requirement</b>	<b>291,782</b>	<b>320,025</b>	<b>351,103</b>	<b>378,802</b>	<b>382,743</b>
<b>Under / (Over) borrowing</b>	<b>37,682</b>	<b>51,707</b>	<b>54,422</b>	<b>69,039</b>	<b>60,504</b>

The figures in the above tables include an allowance for the introduction of IFRS16 – Leasing which is being introduced in the 2024/25 financial year, having been deferred in December 2021. The change requires local authorities to account for leased assets previously treated as operating leases (off balance sheet) as finance leases (on balance sheet), which increases capital expenditure and the gross debt required to finance them. Work is underway to identify and evaluate the operating leases affected and, in the meantime, the figures used in the calculations above represent a high level estimate of the potential impact on the Council's Capital Financing Requirement.

The following graph shows the the CFR compared to the expected net debt in each of the years and the under / (over) borrowed position, also shown is the Council's authorised limit for debt and it's operational boundary (see paragraph 2.4 above).



Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not taken for revenue or speculative purposes.

The Section 95 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

### 3.2 Prospects for interest rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7<sup>th</sup> November 2023. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View 07.11.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
<b>BANK RATE</b>	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

Additional notes by Link Group on this forecast table: -

Our central forecast for interest rates was previously updated on 25 September and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and that there is a likelihood of the overall economy enduring at least a mild recession over the coming months, although most recent GDP releases have surprised with their on-going robustness.

Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

On the positive side, consumers are still anticipated to be sitting on some excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, as noted previously, most of those excess savings are held by more affluent households whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

## PWLB RATES

- Gilt yield curve movements have broadened since our last Newsflash. The short part of the curve has not moved far but the longer-end continues to reflect inflation concerns. At the time of writing there is 60 basis points difference between the 5 and 50 year parts of the curve.

### The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

### Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, could keep gilt yields high for longer).
- **The Bank of England** has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

### Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening to 5.25%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's pre-election fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn there than the market currently anticipates, consequently pulling gilt yields up higher. (We saw some movements of this type through October although generally reversed in the last week or so.)
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

## LINK GROUP FORECASTS

We now expect the MPC will keep Bank Rate at 5.25% for the remainder of 2023 and the first half of 2024 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 5.25%, but it is possible.

### Gilt yields and PWLB rates

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through the remainder of 2023 and into 2024.

### 3.3 Investment and borrowing rates

Gilt yields and PWLB rates were on a rising trend from April through to October but dropped back significantly in November and December.

The 50-year PWLB Certainty Rate target for new long-term borrowing started 2023/24 at 3.50% (the lowest forecast rate within a two-year time horizon), increasing to a peak of 4.00% in November. With rates elevated across the whole of the curve, it is advised to not borrow long-term unless the Authority wants certainty of rate and judges the cost to be affordable.

#### Borrowing for capital expenditure

Our long-term (beyond 10 years) forecast for Bank Rate has increased from 2.75% to 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to wait for inflation, and therein gilt yields, to drop back later in 2024.

While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

### 3.4 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, the Bank Rate remains elevated through to the second half of 2024.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024/25 treasury operations. The Section 95 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.*
- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

### 3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sum borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

### 3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio may be considered whilst premature redemption rates remain elevated but only if there is surplus cash available to facilitate any repayment, or rebalancing of the portfolio to provide more certainty is considered appropriate.

In 2023, there was a window of opportunity, due to the volatility of interest rates, to repay some borrowing early to take advantage of a discount on repayment. Rescheduling of remaining borrowing in our debt portfolio is not currently planned for in 2024/25, however, the Council may consider rescheduling debt if an opportunity arises and it is prudent to do so in terms of cash balances held and anticipated future interest rates. If further rescheduling takes place it will be reported to the appropriate Committee at the earliest meeting following its action.

### 3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points non-HRA borrowing and gilts + 40 basis points for HRA until June 2025. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

### 3.8 Approved Sources of Long and Short term Borrowing

A list of approved sources of long and short term borrowing is shown below:

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	√	√
Municipal bond agency	√	√
Local authorities	√	√
Banks	√	√
Pension funds	√	√
Insurance companies	√	√
UK Infrastructure Bank	√	√
Market (long-term)	√	√
Market (temporary)	√	√
Market (LOBOs)	√	√
Stock issues	√	√
Local temporary	√	√
Local Bonds	√	
Local authority bills	√	√
Overdraft		√
Negotiable bonds	√	√
Internal (capital receipts & revenue balances)	√	√
Commercial paper	√	
Medium Term Notes	√	
Finance leases	√	√

## 4 ANNUAL INVESTMENT STRATEGY

### 4.1 Investment policy

The Council's investment policy implements the requirements of the Local Government Investments (Scotland) Regulations 2010, (and accompanying Finance Circular 5/2010), and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021, ("the Code") and CIPFA Treasury Management Guidance Notes 2021.

The above regulations and guidance place a high priority on the management of risk. **The Council's investment priorities will be security first, liquidity second and then return.** This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
4. This Authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix 5 under the categories of 'specified' and 'non-specified' investments. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in Appendix 7.
5. Transaction limits are set for each type of investment in Appendix 5.
6. This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**, (see paragraph 4.4).
7. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).
8. All investments will be denominated in **sterling**.
9. As a result of the change in accounting standards for 2021/22 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.4). Regular monitoring of investment performance will be carried out during the year.

## 4.2 Creditworthiness policy

The Council recognises the vital importance of credit-worthiness checks on the counterparties it uses for investments.

This Council applies the creditworthiness service provided by Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following further overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

Further explanation of the approach for creditworthiness used by Link Group is found in Appendix 7.

### UK banks – ring fencing

The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt in.

Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes.

## 4.3 Country and sector limits

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 8. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

## 4.4 Investment strategy

**In-house funds:** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 24 months). Greater returns are usually obtainable by investing for longer periods. While cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

### Investment returns expectations

The current forecast shown in Appendix 3, includes a forecast for Bank Rate to stay at 5.25% until in Q2 2024 and then fall to 3.0% by Q3 2025-26.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months duration in each financial year are as follows.:

Average earnings in each year	
2023/24 (remainder)	5.3%
2024/25	4.7%
2025/26	3.2%
2026/27	3.0%
2027/28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

### Investment treasury indicator and limit

These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Maximum principal sums invested for longer than 365 days			
£m	2024/25	2025/26	2026/27
Maximum permitted principal sums invested for longer than 365 days	20	20	20
Current investments as at 31-12-23 in excess of 1 year maturing each year	0	0	0

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days).



#### **4.5 Investment risk benchmarking**

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of SONIA (Sterling Overnight Interest Average). This benchmark will be used from 1<sup>st</sup> April 2022 and replaces 7 day LIBID.

#### **4.6 End of year Investment Report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

#### **4.7 Policy on environmental, social and governance (E.S.G.)**

The Council's policy on environmental, social and governance (E.S.G) can be found in appendix 11.

## 5 APPENDICES

### Appendix 1 – Capital Prudential and Treasury Indicators 2024/25 – 2026/27

#### 1. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

#### Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	2022/23	2023/24	2024/25	2025/26	2026/27
%	Actual	Estimate	Estimate	Estimate	Estimate
Ratio	4.67%	4.54%	4.36%	4.44%	4.49%

The estimates of financing costs include current commitments and the proposals in this budget report.

#### 2. Maturity structure of borrowing

The purpose of this indicator is to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if this is set to be too restrictive it will impair the opportunities to reduce costs/improve performance. The indicator is "Maturity structure of borrowing". These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits. The Council is asked to approve the following treasury indicator and limits.

Maturity structure of fixed interest rate borrowing 2024/25		
	Lower	Upper
Under 12 months	0%	30%
12 months to 2 years	0%	30%
2 years to 5 years	0%	30%
5 years to 10 years	0%	40%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%
50 years and above	0%	100%

The interest rate exposure in respect of the Council's external debt will be monitored on an ongoing basis by keeping the proportion of variable interest rate debt at an appropriate level given the total amount of external debt and the interest rate environment within which the Council is operating. When interest rates

are increasing the Council will look to move to fixed rate borrowing and if interest rates are likely to fall then the level of variable rate borrowing will be increased to minimise future interest payments.

<b>Interest rate exposure</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	190%	190%	190%	190%	190%
<b>Limits on variable interest rates based on net debt</b>	60%	60%	60%	60%	60%

## Appendix 2 – Detailed Current Portfolio Position

<b>TREASURY PORTFOLIO</b>					
		<b>Actual</b>	<b>Actual</b>	<b>Current</b>	<b>Current</b>
		<b>31.03.23</b>	<b>31.03.23</b>	<b>31.12.23</b>	<b>31.12.23</b>
<b>Treasury investments</b>		<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Banks	Clydesdale Bank	1,976	3%	2,779	4%
	Totonto Dominion Bank	5,000	6%	0	0%
	First Abu Dhabi Bank	10,000	13%	15,000	19%
	National Bank of Kuwait	7,500	10%	75,000	97%
	Goldman Sachs		0%	5,000	6%
	Close Bros Bank	2,500	3%	2,500	3%
	ANZ	5,000	6%	5,000	6%
		<b>31,976</b>	<b>41%</b>	<b>37,779</b>	<b>41%</b>
Building Societies - unrated		<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
Local Authorities	Spelthorn BC	5,000	6%	0	0%
	Thurrock Borough Council	10,000	13%	0	0%
	Slough BC	10,000	13%	0	0%
	Cambridgeshire CC	5,000	6%	5,000	6%
	London Borough of Croydon	5,000	6%	10,000	13%
		<b>35,000</b>	<b>45%</b>	<b>15,000</b>	<b>25%</b>
DMADF (H.M.Treasury)		<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
Money Market Funds	BNP	6,850	9%	0	
	Federated			1,600	3%
	Legal & General			2,550	4%
		<b>6,850</b>	<b>9%</b>	<b>4,150</b>	<b>7%</b>
Certificates of Deposit		<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
Third Party Loans		<b>3,655</b>	<b>5%</b>	<b>3,551</b>	<b>6%</b>
<b>Total Treasury Investments</b>		<b>77,481</b>	<b>100%</b>	<b>60,480</b>	<b>100%</b>

		<b>Actual</b>	<b>Actual</b>	<b>Current</b>	<b>Current</b>
		<b>31.03.23</b>	<b>31.03.23</b>	<b>30.12.23</b>	<b>31.12.23</b>
		<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Treasury external borrowing</b>					
Local Authorities		0	0%	0	0%
PWLB		82,877	58%	103,877	95%
LOBOs	Commerzbank Finance & Covered Bonds S.A.	13,000	9%	0	0%
	FMS Wertmanagement	5,255	4%	5,255	5%
	Bayerische Landesbank	21,000	15%	0	0%
		39,255	28%	5,255	5%
Market	Barclays (formerly LOBO)	10,000	7%	0	0%
		10,000	7%	0	0%
Special	Prudential assurance co	8	0%	5	0%
		8	0%	5	0%
Temporary Borrowing		10,378	7%	222	0%
Local Bonds		18	0%	18	0%
<b>Total External Borrowing</b>		<b>142,536</b>	<b>100%</b>	<b>109,377</b>	<b>100%</b>
<b>Net Treasury Investments / (Borrowing)</b>		<b>(65,055)</b>		<b>(48,897)</b>	

### Appendix 3 – Economic Background Provided by Link Group (at 04.04.24)

- The third quarter of 2023/24 saw:
  - A 0.3% m/m decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30<sup>th</sup> September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the ONS “experimental” rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May’s 31 years’ high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding rates at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% q/q fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% m/m which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% q/q in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% q/q fall in manufacturing output in Q3.
- The 0.3% m/m fall in retail sales volumes in October means that after contracting by 1.0% q/q (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with only marginal falls showing year on year on the Halifax (-1%) and Nationwide (-1.8%) indices. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a

half of the impact of higher interest rates on household interest payments has yet to be felt.

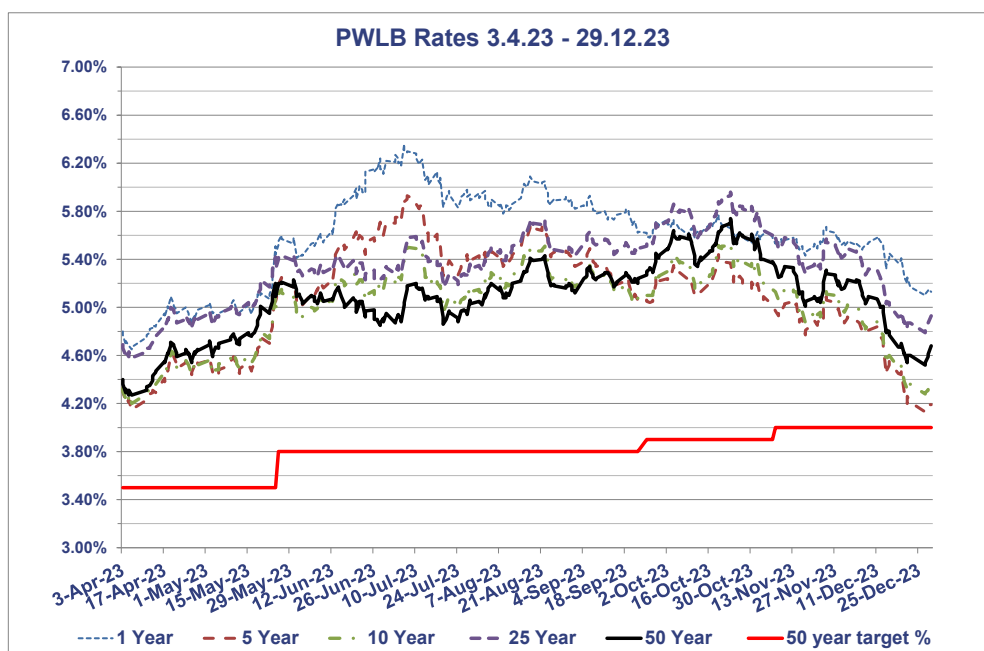
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% m/m, which meant the headline 3myy rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17<sup>th</sup> month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound hawkish, with the MPC maintaining its tightening bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time".

In other words, the message is that the MPC is not yet willing to endorse investors' expectations that rates will be cut as soon as May 2024.

- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.
- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% at the time of writing, with further declines likely if the falling inflation story is maintained.
- Investors' growing expectations that the Fed will cut interest rates soon has led to an improvement in risk sentiment, which has boosted the pound and other risky assets. In addition, the rise in the pound, from \$1.21 in November to \$1.27 now, has also been supported by the recent relative decline in UK wholesale gas prices.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023/24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

**PWLB RATES 03.04.23 - 29.12.23**





**HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.23 – 29.09.23**

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	4.65%	4.14%	4.20%	4.58%	4.27%
<b>Date</b>	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
<b>High</b>	6.36%	5.93%	5.51%	5.73%	5.45%
<b>Date</b>	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
<b>Average</b>	5.62%	5.16%	5.01%	5.29%	5.00%
<b>Spread</b>	1.71%	1.79%	1.31%	1.15%	1.18%

The peak in medium to longer dated rates has generally arisen in August and September and has been primarily driven by continuing high UK inflation, concerns that gilt issuance may be too much for the market to absorb comfortably, and unfavourable movements in US Treasuries.

The S&P 500 and FTSE 100 have struggled to make much ground through 2023.

**CENTRAL BANK CONCERNS**

Currently, the Fed has pushed up US rates to a range of 5.25% to 5.5%, whilst the MPC followed by raising Bank Rate to 5.25%. EZ rates have also increased to 4% with further tightening a possibility.

Ultimately, however, from a UK perspective it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

## Appendix 4 - Treasury Management Practice (TMP1) Permitted Investments

This Council approves the following forms of investment instrument for use as permitted investments as set out in table 1.

### Treasury risks

All the investment instruments in table 1 are subject to the following risks: -

- **Credit and counter-party risk:** this is the risk of failure by a counterparty (bank or building society) to meet its contractual obligations to the organisation particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources. There are no counterparties where this risk is zero although AAA rated organisations have the highest, relative, level of creditworthiness.
- **Liquidity risk:** this is the risk that cash will not be available when needed. Whilst it could be said that all counterparties are subject to at least a very small level of liquidity risk as credit risk can never be zero, in this document, liquidity risk has been treated as whether or not instant access to cash can be obtained from each form of investment instrument. However, it has to be pointed out that while some forms of investment e.g. gilts, CDs, corporate bonds can usually be sold immediately if the need arises, there are two caveats: -
  - a. Cash may not be available until a settlement date up to three days after the sale
  - b. There is an implied assumption that markets will not freeze up and so the instrument in question will find a ready buyer.

The column in table 1 headed as 'market risk' will show each investment instrument as being instant access, sale T+3 = transaction date plus 3 business days before you get cash, or term i.e. money is locked in until an agreed maturity date.

- **Market risk:** this is the risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately. However, some cash rich local authorities may positively want exposure to market risk e.g. those investing in investment instruments with a view to obtaining a long-term increase in value.
- **Interest rate risk:** this is the risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately. This authority has set limits for its fixed and variable rate exposure in its Treasury Indicators in this report. All types of investment instrument have interest rate risk except for the following forms of instrument which are at variable rate of interest (and the linkage for variations is also shown).
- **Legal and regulatory risk:** this is the risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

### Controls on treasury risks

- **Credit and counter-party risk:** this authority has set minimum credit criteria to determine which counterparties and countries are of sufficiently high creditworthiness to be considered for investment purposes. See paragraphs 4.2 and 4.3.
- **Liquidity risk:** this authority has a cash flow forecasting model to enable it to determine how long investments can be made for and how much can be invested.
- **Market risk:** this authority purchases Certificates of Deposit (CD's), as they offer a higher rate of return than depositing in the DMADF. They are usually held until maturity but in exceptional circumstances, they can be quickly sold at the current market value, (which may vary from the purchase cost), if the need arises for extra cash at short notice. Their value does not usually vary much during their short life.
- **Interest rate risk:** this authority manages this risk by having a view of the future course of interest rates and then formulating a treasury management strategy accordingly which aims to maximise investment earnings consistent with control of risk or alternatively, seeks to minimise expenditure on interest costs on borrowing. See paragraph 4.4.
- **Legal and regulatory risk:** this authority will not undertake any form of investing until it has ensured that it has all necessary powers and complied with all regulations.

### Unlimited investments

Regulation 24 states that an investment can be shown in table 1 as being 'unlimited' in terms of the maximum amount or percentage of the total portfolio that can be put into that type of investment. However, it also requires that an explanation must be given for using that category.

The authority has given the following types of investment an unlimited category: -

- **Debt Management Agency Deposit Facility.** This is considered to be the lowest risk form of investment available to local authorities as it is operated by the Debt Management Office which is part of H.M. Treasury i.e. the UK Government's sovereign rating stands behind the DMADF. It is also a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts.
- **High credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. While an unlimited amount of the investment portfolio may be put into banks and building societies with high credit worthiness, the authority will ensure diversification of its portfolio ensuring that no more than £20m of the total portfolio can be placed with UK banks and £15m in any single non UK bank institution or group at any one time.

## Objectives of each type of investment instrument

Regulation 25 requires an explanation of the objectives of every type of investment instrument which an authority approves as being 'permitted'.

### Deposits

The following forms of 'investments' are actually more accurately called deposits as cash is deposited in an account until an agreed maturity date or is held at call.

- **Debt Management Agency Deposit Facility.** This offers the lowest risk form of investment available to local authorities as it is effectively an investment placed with the Government. It is also easy to use as it is a deposit account and avoids the complications of buying and holding Government issued treasury bills or gilts. As it is low risk it also earns low rates of interest. However, it is very useful for authorities whose overriding priority is the avoidance of risk. The longest period for a term deposit with the DMADF is 6 months.
- **Term deposits with high credit worthiness banks and building societies.** See paragraph 4.2 for an explanation of this authority's definition of high credit worthiness. This is the most widely used form of investing used by local authorities. It offers a much higher rate of return than the DMADF (dependent on term). The authority will ensure diversification of its portfolio of deposits ensuring that no more than £20m of the total portfolio can be placed with any UK bank and £15m with any single non UK bank institution or group. In addition, longer-term deposits offer an opportunity to increase investment returns by locking in high rates ahead of an expected fall in the level of interest rates. At other times, longer-term rates can offer good value when the markets incorrectly assess the speed and timing of interest rate increases. This form of investing therefore, offers a lot of flexibility and higher earnings than the DMADF. Where it is restricted is that once a longer-term investment is made, that cash is locked in until the maturity date.
- **Call accounts with high credit worthiness banks and building societies.** The objectives are as for term deposits above but there is instant access to recalling cash deposited. This generally means accepting a lower rate of interest than that which could be earned from the same institution by making a term deposit. Some use of call accounts is highly desirable to ensure that the authority has ready access to cash when needed to pay bills.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.
- **Collateralised deposits.** These are deposits placed with a bank which offers collateral backing based on specific assets. Examples seen in the past have included local authority LOBOs, where such deposits are effectively lending to a local authority as that is the ultimate security.

## DEPOSITS WITH COUNTERPARTIES CURRENTLY IN RECEIPT OF GOVERNMENT SUPPORT / OWNERSHIP

These banks offer another dimension of creditworthiness in terms of Government backing through either partial or full direct ownership. The view of this authority is that such backing makes these banks attractive institutions with whom to place deposits, and that will remain our view if the UK sovereign rating were to be downgraded in the coming year.

- **Term deposits with high credit worthiness banks which are fully or semi nationalised.** As for term deposits in the previous section, but Government full, (or substantial partial), ownership, implies that the Government stands behind this bank and will be deeply committed to providing whatever support that may be required to ensure the continuity of that bank. This authority considers that this indicates a low and acceptable level of residual risk.
- **Fixed term deposits with variable rate and variable maturities (structured deposits).** This line encompasses ALL types of structured deposits. There has been considerable change in the types of structured deposits brought to the market over the last few years, some of which are already no longer available. In view of the fluidity of this area, this is a generic title for all structured deposits so as to provide councils with greater flexibility to adopt new instruments as and when they are brought to the market. However, this does mean that members ought to be informed as to what instruments are presently covered under this generic title so that they are aware of the current situation, and that they are informed and approve of intended changes in an appropriate manner.

## COLLECTIVE INVESTMENT SCHEMES STRUCTURED AS OPEN ENDED INVESTMENT COMPANIES (OEICS)

- **Government liquidity funds.** These are the same as money market funds (see below) but only invest in government debt issuance with highly rated governments. Due to the higher quality of underlying investments, they offer a lower rate of return than MMFs. However, their net return is typically on a par with the DMADF, but with instant access.
- **Money Market Funds (MMFs).** By definition, MMFs are AAA rated and are widely diversified, using many forms of money market securities including types which this Authority does not currently have the expertise or capabilities to hold directly. However, due to the high level of expertise of the fund managers and the huge amounts of money invested in MMFs, and the fact that the weighted average maturity (WAM) cannot exceed 60 days, MMFs offer a combination of high security, instant access to funds, high diversification and good rates of return compared to equivalent instant access facilities. They are particularly advantageous in falling interest rate environments as their 60 day WAM means they have locked in investments earning higher rates of interest than are currently available in the market. MMFs also help an authority to diversify its own portfolio as e.g., a £2m investment placed directly with HSBC is a 100% risk exposure to HSBC whereas £2m invested in a MMF may end up with say £10,000 being invested with HSBC through the MMF. For authorities particularly concerned with risk exposure to banks, MMFs offer an effective way of minimising risk exposure while still getting much better rates of return than available through the DMADF.
- a. **Ultra short dated bond funds.** These funds are similar to MMFs, can still be AAA rated but have Variable Net Asset Values (VNAV) as opposed to a traditional MMF which has a Constant Net Asset Value (CNAV). They aim to achieve a higher yield and to do this either take more credit risk or invest out for longer periods of time, which

means they are more volatile. These funds can have WAM's and Weighted Average Life (WAL's) of 90 – 365 days or even longer. Their primary objective is yield and capital preservation is second. They therefore, are a higher risk than MMFs and correspondingly have the potential to earn higher returns than MMFs.

- **Gilt funds.** These are funds which invest only in U.K. Government gilts. They offer a lower rate of return than bond funds but are highly rated both as a fund and through investing only in highly rated government securities. They offer a higher rate of return than investing in the DMADF but they do have an exposure to movements in market prices of assets held.
- **Bond funds.** These can invest in both government and corporate bonds. This therefore entails a higher level of risk exposure than gilt funds and the aim is to achieve a higher rate of return than normally available from gilt funds by trading in non-government bonds.

## SECURITIES ISSUED OR GUARANTEED BY GOVERNMENTS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it matures or is sold. The annual earnings on a security is called a yield i.e. it is normally the interest paid by the issuer divided by the price you paid to purchase the security unless a security is initially issued at a discount e.g. treasury bills.

- **Treasury bills.** These are short-term bills, (up to 18 months but usually 9 months or less), issued by the Government and so are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales could incur a net cost during the period of ownership.
- **Gilts.** These are longer-term debt issuance by the UK Government and are backed by the sovereign rating of the UK. The yield is higher than the rate of interest paid by the DMADF and another advantage compared to a time deposit in the DMADF is that they can be sold if there is a need for access to cash at any point in time. However, there is a spread between purchase and sale prices so early sales may incur a net cost. Market movements that occur between purchase and sale may also have an adverse impact on proceeds. The advantage over Treasury bills is that they generally offer higher yields the longer it is to maturity (for most periods) if the yield curve is positive.
- **Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government** e.g. National Rail. This is similar to a gilt due to the explicit Government guarantee.
- **Sovereign bond issues (other than the UK govt) denominated in Sterling.** As for gilts but issued by other nations. Use limited to issues of nations with at least the same sovereign rating as for the UK.
- **Bonds issued by Multi Lateral Development Banks (MLDBs).** These are similar to c. and e. above but are issued by MLDBs which are typically guaranteed by a group of sovereign states e.g. European Bank for Reconstruction and Development.

## SECURITIES ISSUED BY CORPORATE ORGANISATIONS

The following types of investments are where an authority directly purchases a particular investment instrument, a security, i.e. it has a market price when purchased and that value can change during the period the instrument is held until it is sold. The annual earnings on a security is called a yield i.e. is the interest paid by the issuer divided by the price you paid to purchase the security. These are similar to the previous category but corporate organisations can have a wide variety of credit worthiness so it is essential for local authorities to only select the organisations with the highest levels of credit worthiness. Corporate securities are generally a higher risk than government debt issuance and so earn higher yields.

- a. **Certificates of deposit (CDs).** These are shorter-term securities issued by deposit taking institutions (mainly financial institutions). They are negotiable instruments, so can be sold ahead of maturity and also purchased after they have been issued. However, that liquidity can come at a price, where the yield could be marginally less than placing a deposit with the same bank as the issuing bank.
- b. **Commercial paper.** This is similar to CDs but is issued by commercial organisations or other entities. Maturity periods are up to 365 days but commonly 90 days.
- c. **Corporate bonds.** These are (long term) bonds (usually bearing a fixed rate of interest) issued by a financial institution, company or other non-government issuer in order to raise capital for the institution as an alternative to issuing shares or borrowing from banks. They are generally seen to be of a lower creditworthiness than government issued debt and so usually offer higher rates of yield.
- d. **Floating rate notes.** These are bonds on which the rate of interest is established periodically with reference to short-term interest rates.

## OTHER

**Property fund.** This is a collective investment fund specialising in property. Rather than owning a single property with all the risk exposure that means to one property in one location rising or falling in value, maintenance costs, tenants actually paying their rent / lease etc, a collective fund offers the advantage of diversified investment over a wide portfolio of different properties. This can be attractive for authorities who want exposure to the potential for the property sector to rise in value. However, timing is critical to entering or leaving this sector at the optimum times of the property cycle of rising and falling values. Typically, the minimum investment time horizon for considering such funds is at least 3-5 years.

**Table 1: permitted investments in house**

This table is for use by the in house treasury management team.

**1.1 Deposits**

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Debt Management Agency Deposit Facility	--	term	no	100	6 months
Term deposits – local authorities	--	term	no	100	2 years
Call accounts – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	instant	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Term deposits – banks and building societies	Yellow Purple Blue Orange Red Green No Colour	term	no	100	Up to 5 yrs Up to 2 yrs Up to 1 yr Up to 1 yr Up to 6 mths Up to 100 days Not for use
Fixed term deposits with variable rate and variable maturities: - Structured deposits.	Green	term	no	50	2 years
Collateralised deposit (see note 1)	UK sovereign rating	term	no	50	1 year

*Note 1. As collateralised deposits are backed by e.g. AAA rated local authority LOBOs, this investment instrument is effectively a AAA rated investment*

**1.2 Deposits with counterparties currently in receipt of government support / ownership**

	* Minimum Credit Criteria / colour banding	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
UK part nationalised banks	Blue	term	no	100	1 Year
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	UK Sovereign Rating or Blue	term	no	100	1 Year
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green	term	yes	100	1 Year



### 1.3 Collective investment schemes structured as Open Ended Investment Companies (OEICs)

	* Minimum Fund Rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
1a. Money Market Funds CNAV	AAA	instant	No see note 1	100	1 Year
1b. Money Market Funds LVNAV	AAA	Instant to T+5	No see note 1	100	1 Year
1c. Money Market Funds VNAV	AAA	instant to T+5	No see note 1	100	1 Year
2. Ultra short dated bond funds with a credit score of 1.25	AAA	T+1 to T+5	yes	100	1 Year
3. Ultra short dated bond funds with a credit score of 1.5	AAA	T+1 to T+5	yes	100	1 Year
4. Bond Funds	AAA	T+2 or longer	yes	100	1 Year
5. Gilt Funds	UK sovereign rating	T+2 or longer	yes	100	1 Year

*Note 1. The objective of MMFs is to maintain the net asset value but they hold assets which can vary in value. However, the credit rating agencies require the fluctuation in unit values held by investors to vary by almost zero.*

### 1.4 Securities issued or guaranteed by governments

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Treasury Bills	UK sovereign rating	Sale T+1	yes	100	1 Year
UK Government Gilts	UK sovereign rating	Sale T+1	yes	100	1 Year
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	Sale T+3	yes	100	1 Year
Sovereign bond issues (other than the UK govt)	AAA	Sale T+1	yes	80	1 Year
Bonds issued by multilateral development banks	AAA	Sale T+1	yes	80	1 Year

### 1.5 Securities issued by corporate organisations

	* Minimum Credit Criteria	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Certificates of deposit issued by banks and building societies	Green	Sale T+0	yes	50	2 Years
Commercial paper other	Green	Sale T+0	yes	20	2 Years
Floating rate notes	Green	Sale T+0	yes	20	2 Years
Corporate Bonds other	Green	Sale T+3	yes	20	2 Years

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

### 1.6 Other

	* Minimum Credit Criteria / fund rating	Liquidity risk	Market risk	Max % of total investments	Max. maturity period
Property funds	--	T+4	yes	100	5 Years

## Appendix 5 – Treasury Management Practice (TMP2) Credit and Counterparty Risk Management

The following table is for use by the Treasury team and is a list of current counterparties. However, the use of counterparties depends on credit ratings and the Council may stop using certain counterparties and may stop using certain counterparties and/or decide to use alternative counterparties within its permitted investments. If for unavoidable short term operation reasons, limits are breached this will be communicated to management immediately.

**The Monitoring of Investment Counterparties** - The status of counterparties will be monitored regularly. The Council receives credit rating and market information from Link Group, including when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Section 95 Officer, and if required new counterparties which meet the criteria will be added to the list.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
<b>Cash type instruments</b>				
a. Deposits with the Debt Management Account Facility (UK Government) ( <b>Very low risk</b> )	This is a deposit with the UK Government and as such counterparty and liquidity risk is very low, and there is no risk to value. Deposits can be between overnight and 6 months.	Little mitigating controls required. As this is a UK Government investment the monetary limit is unlimited to allow for a safe haven for investments.	£unlimited, maximum 6 months.	£unlimited, maximum 6 months.
b. Deposits with other local authorities or public bodies ( <b>Very low risk</b> )	These are considered quasi UK Government debt and as such counterparty risk is very low, and there is no risk to value. Liquidity may present a problem as deposits can only be broken with the agreement of the counterparty, and penalties can apply.	Little mitigating controls required for local authority deposits, as this is a quasi UK Government investment. Non- local authority deposits will follow the approved credit rating criteria.	£unlimited, maximum 2 year. Limit of £10m per local Authority or public body	£unlimited, maximum 2 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
	Deposits with other non-local authority bodies will be restricted to the overall credit rating criteria.			
c. Money Market Funds (MMFs) – CNAV/LVNAV/VNAV ( <b>Low to very low risk</b> )	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where the MMFs has a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
d. Ultra short dated bond funds ( <b>low risk</b> )	Pooled cash investment vehicle which provides very low counterparty, liquidity and market risk. These will primarily be used as liquidity instruments.	Funds will only be used where they have a “AAA” rated status from either Fitch, Moody’s or Standard and Poor’s.	£15m per fund	100%
e. Call account deposit accounts with financial institutions (banks and building societies) ( <b>Low risk depending on credit rating</b> )	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is high and investments can be returned at short notice.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.
f. Term deposits with financial institutions (banks and building societies) ( <b>Low to medium risk depending</b> )	These tend to be low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is low and term deposits can only be	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody’s and Standard and Poor’s. Day to day investment dealing with this criteria will be further strengthened by use of additional market intelligence.	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
<b>on period &amp; credit rating)</b>	broken with the agreement of the counterparty, and penalties may apply.			
g. Government Gilts and Treasury Bills ( <b>Very low risk</b> )	These are marketable securities issued by the UK Government and as such counterparty and liquidity risk is very low, although there is potential risk to value arising from an adverse movement in interest rates (no loss if these are held to maturity).	Little counterparty mitigating controls are required, as this is a UK Government investment. The potential for capital loss will be reduced by limiting the maximum monetary and time exposures.	£10m maximum 1 year.	100% maximum 1 year.
h. Certificates of deposits with financial institutions ( <b>Low risk</b> )	These are short dated marketable securities issued by financial institutions and as such counterparty risk is low, but will exhibit higher risks than categories (a), (b) and (c) above. There is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates (no loss if these are held to maturity). Liquidity risk will normally be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£10m per counterparty maximum 1 year.	20% maximum 1 year.
i. Structured deposit facilities with banks and building societies (escalating rates, de-escalating rates etc.) ( <b>Low to medium risk</b> )	These tend to be medium to low risk investments, but will exhibit higher risks than categories (a), (b) and (c) above. Whilst there is no risk to value with these types of investments, liquidity is very low and investments can only be broken with the agreement	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Day to day investment dealing with this criteria	As shown in the counterparty section criteria above.	As shown in the counterparty section criteria above.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
<b>depending on period &amp; credit rating)</b>	of the counterparty (penalties may apply).	will be further strengthened by the use of additional market intelligence.		
j. Corporate bonds <b>(Medium to high risk depending on period &amp; credit rating)</b>	These are marketable securities issued by financial and corporate institutions. Counterparty risk will vary and there is risk to value of capital loss arising from selling ahead of maturity if combined with an adverse movement in interest rates. Liquidity risk will be low.	The counterparty selection criteria approved above restricts lending only to high quality counterparties, measured primarily by credit ratings from Fitch, Moody's and Standard and Poor's. Corporate bonds will be restricted to those meeting the base criteria.  Day to day investment dealing with this criteria will be further strengthened by the use of additional market intelligence.	£5m and maximum 1 year.	£20% and maximum 1 year.
Other types of investments				
a. Investment properties	These are non-service properties which are being held pending disposal or for a longer term rental income stream. These are highly illiquid assets with high risk to value (the potential for property prices to fall or for rental voids).	In larger investment portfolios some small allocation of property based investment may counterbalance/compliment the wider cash portfolio.  Property holding will be re-valued regularly and reported annually with gross and net rental streams.	£10m	20%.
b. Loans to third parties, including soft loans	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Member approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default.	£10m and maximum 5 years.	10% and maximum 5 years.

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
c. Shareholdings in a local authority company	These are service investments which may exhibit market risk and are likely to be highly illiquid.	Each equity investment in a local authority company requires Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	50%	20%
d. Non-local authority shareholdings	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be liquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	5%	100%
e. Loans to third parties as part of the Council's Empty Homes Strategy	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£1.5m and a maximum of 10 years.	N/A
f. Loans to third parties as part of the Council's SHF Front Funding Facility	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 3 years.	N/A

Type of Investment	Treasury Risks	Mitigating Controls	Council Limits	Common Good Limits
g. Loans to third parties as part of the Council's Long Term Loan Funding to RSL's	These are service investments either at market rates of interest or below market rates (soft loans). These types of investments may exhibit credit risk and are likely to be highly illiquid.	Each third party loan requires Section 95 Officer approval and each application is supported by the service rational behind the loan and the likelihood of partial or full default. Each funding request will be accompanied by financial projections and be subject to an assessment of the project and borrower.	£5m and a maximum of 30 years.	N/A
h. Hub Co sub debt	These are non-service investments which may exhibit market risk, be only considered for longer term investments and will be likely to be highly illiquid.	Any non-service equity investment will require separate Member approval and each application will be supported by the service rational behind the investment and the likelihood of loss.	£10m	N/A
i. Investment in a project run by a Local Authority or Local Authority Joint Committee	These are investments which may exhibit market risks and will only be considered for medium to longer term investments	Each investment requires approval by the Section 95 Officer up to £250,000, and, above this level, member approval. Each application will be supported by the service rationale behind the investment and the likelihood of loss.	£10m	N/A



## Appendix 6 – Creditworthiness policy

### Service and Information provided by Link Group

This Council applies the creditworthiness service provided by Link Treasury Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swaps (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit rates, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration of investments.

Based on the Link Group approach, the Council will therefore use counterparties within the following durational bands:

Yellow	5 years*
Dark pink	5 years for Ultra short dated bond funds with a credit score of 1.25
Light pink	5 years for Ultra short dated bond funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	Not to be used

*\*The yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt.*

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the Council use will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored at least weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that supporting government.

No more than £20m can be invested with each UK bank and £15m each with any non UK bank. The Council will place overnight and call deposits with the Council's bankers irrespective of credit rating. The Council's Bankers currently have a credit rating which allows deposits of up to £20m to be placed with them for up to 100 days.

Deposits can be placed with Local Authorities and other public sector bodies for a period up to 2 years.

The Council can invest an unlimited amount of money with the Debt Management Agency Deposit Facility (operated by the Debt Management Office which is part of HM Treasury). The longest period for a term deposit with the DMADF is 6 months.

#### **Creditworthiness.**

Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, more recently the UK sovereign debt rating has been placed on Negative Outlook by the three major rating agencies in the wake of the Truss/Kwarteng unfunded tax-cuts policy. Although the Sunak/Hunt government has calmed markets, the outcome of the rating agency reviews is unknown at present, but it is possible the UK sovereign debt rating will be downgraded. Accordingly, when setting minimum sovereign debt ratings, this Authority will not set a minimum rating for the UK

#### **CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Authority has access to this information via its Link-provided Passport portal.

## **Appendix 7 – Approved Countries for Investments (31-12-23)**

This list is based on those countries which have sovereign ratings of AA- or higher (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

### AAA

- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

### AA+

- Canada
- Finland
- U.S.A.

### AA

- Abu Dhabi (UAE)

### AA-

- Belgium
- France (downgraded by Fitch on 9<sup>th</sup> May 2023)
- Qatar
- U.K.

## **Appendix 8 – Treasury Management Scheme of Delegation**

### **The Council**

- Overall responsibility for Treasury Management Strategy.
- Adoption of Treasury Policy Statements.
- Receive an Annual Report and other reports on the Treasury Management Operation and on the exercise of delegated treasury management powers.

### **The Policy and Resources Committee**

- Responsibility for the overall investment of money under the control of the Council.
- Keeping under review the level of borrowing.
- Approval of Annual Strategy Statement.
- Receiving and reviewing reports on treasury management policies, practices and activities.
- Approval of Treasury Policy Statements.
- Implementation and monitoring of Treasury Management Policies and Practices.

### **The Audit and Scrutiny Committee**

- Review the overall internal and management control framework related to the treasury function.
- Review internal and external audit reports related to treasury management.
- Review provision in the internal and external audit plans to ensure there is adequate audit coverage of treasury management.
- Monitor progress with implementing recommendations in internal and external audit reports.
- Reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## Appendix 9 – The Treasury Management Role of the Section 95 Officer

### Section 95 Officer:

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance.
- Submitting regular treasury management policy reports.
- Submitting budgets and budget variations.
- Receiving and reviewing management information reports.
- Reviewing the performance of the treasury management function.
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.
- Ensuring the adequacy of internal audit, and liaising with external audit.
- Recommending the appointment of external service providers.
- Reviewing and considering risk management in terms of treasury activities.
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ensuring that members are adequately informed and understand the risk exposures taken on by an authority
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non- treasury investments will be carried out and managed, to include the following: -
  - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
  - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
  - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*

- *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
- *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

**The nominated Elected Member (Policy Lead for Finance and Commercial Services)**

- Acting as spokesperson for treasury management.
- Taking a lead for elected Members in overseeing the operation of the treasury function.
- Review the treasury management policy, strategy and reports.
- Support and challenge the development of treasury management.

## Appendix 10 – Policy on environmental, social and governance (E.S.G.)

Environmental, social and governance (ESG) investment considerations are about understanding the ESG risks that an entity is exposed to and evaluating how well it manages these risks. It is not the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is not the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

The Council is supportive of the Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)) and will seek to bring ESG (environmental, social and governance) factors into the decision-making process for investments. Within this, the Council is also appreciative of the Statement on ESG in Credit Risk and Ratings which commits signatories to incorporating ESG into credit ratings and analysis in a systemic and transparent way. The Council uses ratings from Fitch, Moody's and Standard & Poor's to support its assessment of suitable counterparties. Each of these rating agencies is a signatory to the ESG in credit risk and ratings statement, which is as follows:

*"We, the undersigned, recognise that environmental, social and governance (ESG) factors can affect borrowers' cash flows and the likelihood that they will default on their debt obligations. ESG factors are therefore important elements in assessing the creditworthiness of borrowers. For corporates, concerns such as stranded assets linked to climate change, labour relations challenges or lack of transparency around accounting practices can cause unexpected losses, expenditure, inefficiencies, litigation, regulatory pressure and reputational impacts.*

*At a sovereign level, risks related to, inter alia, natural resource management, public health standards and corruption can all affect tax revenues, trade balance and foreign investment. The same is true for local governments and special purpose vehicles issuing project bonds. Such events can result in bond price volatility and increase the risk of defaults.*

*In order to more fully address major market and idiosyncratic risk in debt capital markets, underwriters, credit rating agencies and investors should consider the potential financial materiality of ESG factors in a strategic and systematic way. Transparency on which ESG factors are considered, how these are integrated, and the extent to which they are deemed material in credit assessments will enable better alignment of key stakeholders.*

*In doing this the stakeholders should recognise that credit ratings reflect exclusively an assessment of an issuer's creditworthiness. Credit rating agencies must be allowed to maintain full independence in determining which criteria may be material to their ratings. While issuer ESG analysis may be considered an important part of a credit rating, the two assessments should not be confused or seen as interchangeable.*

*With this in mind, we share a common vision **to enhance systematic and transparent consideration of ESG factors in the assessment of creditworthiness.**"*

All the main agencies are now extolling how they incorporate ESG risks alongside more traditional financial risk metrics when assessing counterparty ratings. As such, their incorporation is already being done, to an extent, by the use of mainstream rating agencies such as Fitch, Moody's and Standard & Poor's used by the Council.

Our Treasury Advisors, who are The Link Group, are currently reviewing the market in terms of providers of ESG metrics and are looking at ways in which this data can be used by the Council. However, the Treasury Management Code notes that "This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level".

The Council will continue to consider ESG factors however, it should be noted that this information will still be secondary to the requirement for the Council to adhere to the Security, Liquidity and

Yield requirements of the Treasury Code. Limiting the potential counterparty options could reduce diversification and increase risk therefore there is an important balance to be had.



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**ARGYLL AND BUTE COUNCIL**

**Audit and Scrutiny Committee**

**Chief Executive**

**14 March 2024**

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**Corporate Improvement Plan Update**

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**1.0 EXECUTIVE SUMMARY**

This document updates the Audit and Scrutiny Committee on the progress of the new Corporate Improvement Plan (CIP) within the Performance Excellence Project. The Committee received an update on the overall Performance Excellence Project in December 2023 and on the last Best Value Action Plan in March 2023.

The report highlights completed work and upcoming activities to facilitate development and implementation of the new plan.

Members are recommended to consider and note the progress of work on the Corporate Improvement Plan and planned activities in this regard.

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**ARGYLL AND BUTE COUNCIL**

**Audit and Scrutiny Committee**

**Chief Executive**

**14 March 2024**

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## **Corporate Improvement Plan Update**

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### **2.0 INTRODUCTION**

- 2.1 As part of our duty to deliver Best Value, the Council is required to evidence continuous improvement which it does through a variety of means, one of which is identifying corporate improvements relevant across the organisation. Members of Audit and Scrutiny Committee will recall that the final update on Best Value Action Plan in March 2023 included an action to bring details on the change programme (Connect for Success) and a new Best Value Action Plan to the committee at the first available opportunity. This report outlines work undertaken and planned towards development and implementation of a new action plan under the scope of a Corporate Improvement Plan (CIP) to this end.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that members consider and note the work undertaken to date on the Corporate Improvement Plan and the activities planned to deliver and implement it.

### **4.0 DETAIL**

- 4.1 The requirement for continuous improvement comes from Best Value, as outlined in the Local Government in Scotland Act 2003. This had been monitored through associated Best Value audits and action and improvement plans. The previous Corporate Improvement Plan ended in 2022 and, as members will recall, a new one is currently being developed as part of the Performance Excellence programme. This new plan will align with the Corporate Plan and support Council priorities during the current administration's term.

4.2 As reported in March 2023, the Council's operating model is changing over a 4 year process based on the Connect for Success Change Programme principles which have been introduced by the Chief Executive: -

- We are one council, one place
- We focus on our purpose and mission
- Our employees are empowered
- We take decisions informed by data
- We are a learning council
- We are agile and adapt to change
- We maximise opportunities that technology offers

These principles will be embedded into our CIP and improvements will contribute to one or more of these principles, supporting the transformation in how we do our business.

4.3 The recent Accounts Commission report Best Value in Scotland (September 2023) outlines progress that has been made by councils in regard to what is working well and what should improve in Scotland's councils since the introduction of Best Value. The report also identifies a need for improved pace and depth of continuous improvement. To meet this requirement, this can be evidenced through development of, and ongoing progress in regard to, a CIP. Developing the new CIP involves applying a methodology of research, consultation and engagement. Evidence for improvement will come from a range of sources including audits, self-assessment activities, feedback from employees or customers, previous improvement activity undertaken through accredited bodies and benchmarking. Information from these activities will be collated to identify corporate thematic improvements. Heads of Service, internal audit and governance have already provided information that is being analysed to identify relevant improvement activities that can be applied on a corporate basis. Corporate thematic groups will also feed into this process eg Data Advisory Group, Our Modern Workspace etc. Improvements identified will align with Council priorities and Connect for Success.

4.4 In the Best Value 3 Action Plan, under the objective "Develop the transformation agenda, supported by an affordable and achievable medium to longer term financial strategy", action BV1.3 "Financial Planning: review and update the medium to longer term financial strategy" involved developing a medium to longer term financial strategy. This was considered by the Policy and Resources Committee in August 2021 and is complete. We can, however, further develop this approach through longer-term budget planning linked to the Council's priorities which have been agreed subsequent to the Action Plan being written, and budget-setting will be aligned to these as far as possible.

- 4.5 In the meantime, we continue to pursue improvement activities. We are reviewing our approach to self-assessment. A template has been developed to evaluate our performance in relation to meeting corporate objectives and key performance indicators, cost of delivering services and customer satisfaction. This has been trialled on a team basis (HR and OD) and on a thematic basis (transport; community engagement; school meals). Evaluation of the thematic assessment approach is close to conclusion and a decision will be made on the best way to incorporate self-assessment going forward.
- 4.6 People Too consultancy are conducting a review of our Roads and Infrastructure Service. This is a comprehensive review considering all aspects of the Service and service delivery and has included self-assessment evidence from a variety of sources to inform recommendations. Recommendations are currently at an early stage and it is anticipated that any changes adopted will be done so through a staged process.
- 4.7 We have established a Council-wide Data Advisory Group and appointed a Data Manager. The Data Manager has held development sessions for senior managers and leaders, is developing a data platform and has worked with various teams to improve data analytics to inform specific policy areas such as the Cost of Living Crisis.
- 4.8 We have also established a Community Engagement Group which is in the process of developing an engagement framework based on best practice and aligned with our Connect for Success Principles.
- 4.9 Our approach to digital improvements is accelerating with an established group of Digital Champions, a new programme for developing our business efficiency through MS365 called AB365. This is complemented by a range of service specific digital improvements and our expanding use of bots in the Customer Service Centre.
- 4.10 Our People Strategy and Strategic Workforce Plan, which set out our strategic approach to our future workforce were approved by Committee on 15<sup>th</sup> February 2024.
- 4.11 The resulting improvements from all of this work will form the action plan element of the CIP. The draft CIP will be discussed with Heads of Service through

Departmental Management Teams and the final plan will be submitted to Council for adoption. Audit and Scrutiny Committee will continue to receive regular updates on progress against the improvements.

## **5.0 CONCLUSION**

- 5.1 In conclusion this report outlines activities relating to development of a new Corporate Improvement Plan, both completed and planned.

## **6.0 IMPLICATIONS**

- 6.1 Policy – This work will deliver a new Corporate Improvement Plan.
- 6.2 Financial – No financial implications have been identified as a result of this report.
- 6.3 Legal – The Council has statutory duty to ensure Best Value and to comply with the Accounts Commission’s SPI direction.
- 6.4 HR – No HR implications have been identified as a result of this report.
- 6.5 Fairer Scotland Duty: No Fairer Scotland implications have been identified as a result of this report.
- 6.5.1 Equalities - Corporate improvement actions identified will take due consideration of Equality impacts.
- 6.5.2 Socio-economic Duty - Corporate improvement actions identified will take due consideration of Socio-economic impacts.
- 6.5.3 Islands - Corporate improvement actions identified will take due consideration of Islands impacts.
- 6.6 Climate Change – No climate change implications have been identified as part of this report.
- 6.7 Risk - The Council fails to evidence sufficient and robust continuous improvement as required by statute.
- 6.8 Customer Service - continuous improvement in our processes and how we do our business provides improved experiences for our customers.
- 6.9 The Rights of the Child (UNCRC) – Corporate improvement actions identified will take due consideration of the rights of the child.

**Pippa Milne**

**Chief Executive**

**12 February 2024**

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**ARGYLL AND BUTE COUNCIL**
**AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**


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**INTERNAL AUDIT CHARTER AND INTERNAL AUDIT MANUAL**


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**1. SUMMARY**

- 1.1 This report outlines the proposed changes to the Internal Audit Charter and Internal Audit Manual. Both have been updated to reflect minor changes in the working practices within Internal Audit.

**2. RECOMMENDATIONS**

- 2.1 To approve the amended Internal Audit Charter (Appendix 1).
- 2.2 To approve the amended Internal Audit Manual (Appendix 2).

**3.0 DETAIL.**

- 3.1 Under the Public Sector Internal Audit Standards (PSIAS) Internal Audit is required to prepare an Internal Audit Charter, consistent with the Mission of Internal Audit that defines internal audit's purpose, authority and responsibility.
- 3.2 However just having a Charter is not sufficient to comply with the requirements of PSIAS. The requirement for a Charter is just one element of PSIAS. Full compliance requires the adoption of a range of principles and working practices which are closely aligned to the requirements as set out in PSIAS.
- 3.3 Whilst there is no written requirement, within PSIAS, for an Internal Audit Manual to be created, in general, it is considered good practice to develop a manual to help guide the overall management and administration of the department and the audit approach adopted. Given the mandatory nature of PSIAS it also makes sense for that manual to be consistent with the requirements of PSIAS.
- 3.4 The Charter and Manual were both fully revised by the Chief Internal Auditor (CIA) and subject to annual review and Committee approval in each subsequent March. As a consequence the amendments made in this 2024 review are very minor in nature and summarised in the table below:

Internal Audit Charter

Page	Para	Summary of change
Front	N/A	Date updated.
3	1	Hyperlinks to Local Authority accounts (Scotland) Regulations

		2014 and Public Sector Internal Audit Standards added.
5	15	Hyperlink to 7 Principles of Public Life added.
7	33	Wording updated to acknowledge that the revised employee career conversations process has been fully implemented and embedded.
8	42	Updated approval date.

### Internal Audit Manual

Page	Para	Summary of change
Front	N/A	Date updated.
4	1	Hyperlinks to Local Authority accounts (Scotland) Regulations 2014 and Public Sector Internal Audit Standards added.
6	16	Paragraph updated to include the word 'audit' in the context of 'suitable experience'.
7	20	Word "new" removed to reflect the employee career conversations process has been fully implemented and embedded.
9	29	"Strategic Management Team" added to provide full text prior to use of the abbreviation.
9	34	Replace reference to Corporate or Service Plan at bullet point five with Corporate Plan and Corporate Improvement Plan to take cognisance of internal changes within the Council.
11	46	Update to the financial year 2024-25.
15	85	To make reference to the specific requirements for 'exemptions' which can be applied under the Local Government (Scotland) Act 1973 under Schedule 7A. Addition of hyperlink to the full legislation.
16	90	Addition of "relevant Head of Service" at 3 <sup>rd</sup> bullet point.

## **4.0 CONCLUSION**

- 4.1 The Internal Audit Team has updated the Internal Audit Charter and Internal Audit Manual in line with the requirements of the PSIAS.

## **5.0 IMPLICATIONS**

- 5.1 Policy – Internal Audit continues to adopt a risk based approach to activity
- 5.2 Financial – None
- 5.3 Legal – None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – protected characteristics – None
- 5.5.2 Socio-economic Duty – None
- 5.5.3 Islands – None
- 5.6 Climate Change - None
- 5.7 Risk – A consistent audit approach helps reduce the Council's risk exposure
- 5.8 Customer Service – None
- 5.9 The Rights of the Child (UNCRC) – None

**Paul Macaskill**



**Chief Internal Auditor**  
**14 March 2024**

**For further information please contact:** Internal Audit (01546 604108)

**Appendices:**

- 1. Internal Audit Charter**
- 2. Internal Audit Manual**

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Argyll and Bute Council  
Internal Audit Charter  
March 2024

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## Introduction

1. The [Local Authority Accounts \(Scotland\) Regulations 2014](#) introduced a requirement for all Scottish Local Authorities to operate a professional and objective internal auditing service, which must be delivered in accordance with recognised standards. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the [Public Sector Internal Audit Standards \(the Standards\)](#), which came into effect in April 2013, and were updated in March 2017.
2. The Standards require the Argyll and Bute Council (the Council) to have an Internal Audit Charter (the Charter), consistent with the Mission of Internal Audit, that defines internal audit's purpose, authority and responsibility.

## Internal Audit Mission (PSIAS Section 3)

3. It is internal audit's mission to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Definition of Internal Auditing (PSIAS Section 4)

4. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Definition of Roles

5. The Standards require that the Internal Audit Charter defines the terms 'board', 'senior management' and 'Chief Audit Executive' in relation to the work of Internal Audit. For the purposes of Internal Audit work:
  - **Board** - refers to the Council's Audit and Scrutiny Committee (the Committee) which has delegated responsibility for overseeing the work of Internal Audit
  - **Senior Management** - is defined as the Chief Executive and members of the Council's Strategic Management Team (SMT)
  - **Chief Audit Executive** - refers to the Chief Internal Auditor (CIA).

## Purpose of Internal Audit

6. The main objective of Internal Audit is to provide, in terms of the PSIAS, a high quality, independent audit service to the Council which provides annual assurances in relation to internal controls and overall governance arrangements. In addition to this primary assurance role, Internal Audit will also:
  - support the Executive Director (Kirsty Flanagan) (s95 officer) and the Committee in the discharge of their duties
  - support the Council's Monitoring Officer (Douglas Hendry)
  - support the Council's anti-fraud and corruption arrangements
  - provide advice and guidance on control implications for new or changed systems where appropriate
  - support the Council and the SMT during key transformational / change projects.

7. Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. A specific contingency will be made in the internal audit plan to allow for management requests and consultancy work. The CIA will consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Committee before any significant unplanned consultancy work is accepted.
8. The Internal Audit activity is established by the Committee with Internal Audit's responsibilities defined by the Committee as part of their oversight role.

## Authority and Scope

9. Internal audit, with strict accountability for confidentiality and safeguarding records and information, has authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. Internal Audit, through the CIA, will also have free and unrestricted access to the Committee. Designated auditors are entitled, without necessarily giving prior notice, to require and receive:
  - access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature
  - access at all reasonable times to any land, premises, officers and members of the Council
  - the production of any cash, stores or other property of the Council under an officer's and member's control
  - explanations concerning any matter under investigation.
10. Where the Council works in partnership with other organisations, the role of internal audit will be defined on an individual basis. Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Committee and in consultation with the SMT to ensure that appropriate audit resources are available to provide assurance over the Council's activities. Internal Audit currently provide audit services to LiveArgyll, the arrangements for internal audit have been agreed with LiveArgyll's General Manager who reports to LiveArgyll's Finance and Audit Sub-Committee. As of 1 April 2021 Internal Audit will be providing audit services to the Argyll and Bute Health and Social Care Partnership (HSCP). Arrangements for that service have been agreed with the HSCP's Head of Finance and Transformation.

## Independence and Objectivity

11. Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content. This will ensure that the work of Internal Audit is independent and objective.
12. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

13. The CIA has additional responsibilities for risk management and counter fraud arrangements. The CIA will declare an interest for audit assignments in these areas with the next most senior internal audit team member taking additional reporting responsibilities where such conflicts arise. This arrangement will address the recognised independence issues arising from the CIA's other responsibilities. A further option, if required, is for the CIA of another local authority to provide oversight of an audit where there is a possible conflict of interest.
14. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, as detailed in the Chartered Institute of Internal Audit's Code of Ethics.
15. Internal auditors must also make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments, as detailed in the [7 Principles of Public Life](#) (the 'Nolan principles').
16. Each member of the Internal Audit team completes a register of interest and updates it, at a minimum, on an annual basis.
17. The CIA will confirm to the committee, at least annually, the organisational independence of Internal Audit.

## Organisation

18. The CIA is the officer responsible to the Committee for the provision of an independent Internal Audit service. The CIA will discharge this responsibility through the direct application of internal audit resources.
19. The CIA reports, on an administrative basis, to the Head of Financial Services who is a member of the SMT. However the CIA also has unrestricted access to those charged with governance, specifically: Elected Members; the Chief Executive; Executive Directors including the Executive Director who is the Council's Monitoring Officer.
20. The CIA has direct access to the Chair of the Committee to discuss any matters the Committee or auditors believe should be raised privately. One of the functions of the Committee is to ensure that no unjustified restrictions and limitations are made to the scope and activities of Internal Audit. Additionally, unrestricted access to all Officers of the Council is afforded to all members of the Internal Audit service.
21. The CIA is required to hold a professional qualification and be suitably experienced with other team members having suitable experience and/or be working towards a relevant qualification.

## Resourcing

22. The CIPFA Local Government Application note for applying PSIAS states that '*No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage*'.
23. It is the CIA's responsibility to ensure that resourcing arrangements are in place to deliver the annual risk based internal audit plan and that those resources are flexible enough to cope with special requests. Where applicable the CIA may seek additional input from external providers.
24. The internal audit plan will document the budgeted resource requirements for the audit year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required

to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the Committee.

## Responsibility and Scope

25. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's governance, risk management, and internal control processes in relation to the Council's defined goals and objectives. This recognises that Internal Audit's remit extends to the entire control environment of the organisation.
26. Internal Audit is not a substitute for the operation of effective internal controls, which are the direct and sole responsibility of management. However, Internal Audit's specific commitments do include (but are not necessarily limited to) the following:
  - examining and evaluating the adequacy of the Council's system of internal control, including those pertaining to the deterrence, detection and investigation of fraudulent or illegal acts
  - reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information
  - reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations
  - reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets
  - appraising the economy and efficiency with which resources are employed and the quality of performance in carrying out assigned responsibilities
  - coordinating Internal Audit activities with the work of the External Auditors and assisting them as required.
27. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Committee and the SMT including fraud risks, governance issues, and other matters needed or requested by the Committee.

## Fraud and Corruption

28. Managing the risk of fraud and corruption is the responsibility of the SMT. Management is also responsible for developing, implementing and maintaining systems of internal control to guard against fraud or irregularity and ensure probity in systems and operations. Internal Audit will assist management by reviewing the controls and procedures in place.
29. Audit procedures alone cannot guarantee that fraud and corruption will be detected, nor does Internal Audit have the responsibility for prevention and detection of fraud. However, individual auditors will be alert in their work to risks and exposures that could allow a fraud, irregularity or corrupt practice to take place.
30. Where any matter arises which involves, or is thought to involve, a fraud, corruption or financial irregularity, the relevant Head of Service / Executive Director will notify the Council's Monitoring Officer, Head of Financial Services and the CIA for consideration of appropriate action. Further guidance can be found in the Council's Anti-Fraud strategy and Public Interest Disclosure Policy. The Council's Counter Fraud Team reports directly to the CIA so the CIA will be involved in overseeing any investigation and will liaise with the Council's Monitoring Officer during the investigation of the alleged fraud and in particular:



- examine current Council policies, procedures and financial controls, their current working and effectiveness in relation to the alleged fraud
- report to the SMT in relation to the adequacy of current Council policies, procedures and financial controls in relation to the alleged fraud and make recommendations for their revision
- provide advice and assistance to the Monitoring Officer in relation to Council policies, procedures and financial controls and control issues relevant to the investigation of the alleged fraud.

## Professionalism

31. Internal Audit will adhere to the Standards, which are based on the Chartered Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of Internal Auditing and for evaluating the effectiveness of the Internal Audit's performance.
32. Other professional guidance will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to the Council's relevant policies and procedures and Internal Audit's manual.
33. To ensure that auditors maintain and enhance their knowledge, skills and audit competencies an updated approach to the PRD process, based on measuring and improving outcomes from conversations between managers and employees about performance and career/development aspirations has been adopted. This process is undertaken on an annual basis.

## Internal Audit Plan

34. At least annually, the CIA will submit an Internal Audit plan that includes risk assessment criteria to the Committee for review and approval. The CIA will communicate the impact of any resource limitations and significant interim changes to the SMT and the Committee.
35. The Internal Audit plan will be developed based on a prioritisation of those key risks facing the Council including input of the SMT and the Committee. The plan will be flexible in nature, can be updated to reflect the changing risks and priorities of the Council, and will take into account:
  - the Council's risk registers and risk management framework
  - a balance of coverage across all operational areas (this constitutes the assurance nature of the plan ensuring an adequate level of internal audit review annually within each service)
  - experience gained from previous Internal Audit activity
  - the impact of national issues (e.g. economic factors, the introduction of new legislation)
  - the impact of local issues (e.g. corporate or service action plans)
  - periodic review of core financial and operational systems
  - the available audit resource and skills
  - staff development and training
  - time needed for the management of the Internal Audit service
  - contingency set aside for consultancy, reviews or investigations

- liaison with other assurance providers such as the External Auditor and other scrutiny bodies.

## Reporting and Monitoring

36. Following the conclusion of each Internal Audit engagement, a written report will be prepared, reviewed by the CIA and distributed as appropriate. Internal Audit reports will also be presented to the Committee. LiveArgyll audit reports will also be presented to their Finance and Audit Sub-Committee by the LiveArgyll General Manager. Any audit reports relating to social work services will also be presented to the Argyll and Bute HSCP Audit and Risk Committee.
37. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific issues and risks. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.
38. Internal Audit will be responsible for appropriate follow-up on engagement findings and actions. All findings will remain open until appropriate action is demonstrably taken by management or the risk of no action is formally accepted.

## Periodic Assessment

39. Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of Internal Audit activity. This consists of an internal annual self-assessment of the service and its compliance with the Standards and ongoing performance monitoring. The adequacy of Internal Audit is also assessed on an annual basis by the Council's external auditors.
40. External assessments against the Standards will be conducted at least once every five years by a suitably qualified, independent assessor. These reviews form part of a national peer review programme administered by the Scottish Local Authorities Chief Internal Auditor Group.
41. The conclusions of all internal and external assessments will be reported to the Committee.

## Approval

42. This Charter was reported to and approved by the Committee at its meeting on 14 March 2024 and shall be subject to regular review by the CIA and the Committee.



Argyll and Bute Council  
Internal Audit Manual  
March 2024

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## Introduction

1. The [Local Authority Accounts \(Scotland\) Regulations 2014](#) introduced a requirement for all Scottish Local Authorities to operate a professional and objective internal auditing service, which must be delivered in accordance with recognised standards. The standards and practices applied in the UK for all public sector internal audit providers, in-house, shared or outsourced, are the [Public Sector Internal Audit Standards \(PSIAS\)](#), which came into effect in April 2013, and were updated in March 2017.
2. This Internal Audit Manual (the Manual) has been created to provide guidance to the Internal Audit section of Argyll and Bute Council (the Council) on the administration of the department and audit approach to be adopted. The contents are guided by the requirement of PSIAS with the key sections cross referenced to the appropriate section in PSIAS.

## Internal Audit Mission (PSIAS Section 3)

3. It is Internal Audit's mission to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## Definition of Internal Auditing (PSIAS Section 4)

4. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## Ethics (PSIAS Section 6)

### Overview

5. The purpose of a '*Code of Ethics*' is to promote an ethical culture within the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, governance and control. A '*Code of Ethics*' extends beyond the definition of internal auditing to include two essential components:
  - principles that are relevant to the profession and practice of internal auditing
  - rules of conduct that describe behaviour norms expected of internal auditors.

### Applicability and Enforcement

6. A '*Code of Ethics*' applies to all of those who are commissioned to provide internal audit services to the Council. Suspected or known breaches of the '*Code of Ethics*' should be referred to at least one of the following, as considered appropriate:
  - Chief Internal Auditor (CIA)
  - Executive Director (Kirsty Flanagan) (Section 95 Officer)
  - Executive Director (Douglas Hendry) (Monitoring Officer)
  - Audit and Scrutiny Committee (the Committee).
7. The fact that a particular piece of 'behaviour' which has been identified as being possibly inappropriate is not specifically covered by, or mentioned within, the Council's own '*Code of Conduct*', does not necessarily prevent it from being unacceptable, discreditable or indeed unprofessional.

8. For members of the Chartered Institute of Internal Auditors, breaches of the '*Code of Ethics*' will be evaluated and administered in line with the Institute's disciplinary procedures. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation. Such procedures are without prejudice to the Council's own disciplinary procedures. All members of the internal audit team, on an annual basis, self-assess their compliance with ethical principles and relevant Argyll and Bute Council policies by completing a Fit and Proper form. This is submitted to the CIA.

## Relevant Codes

9. Qualified internal auditors could be members of one or more of the following institutions: Chartered Institute of Public Finance & Accountancy (CIPFA), the Chartered Institute of Management Accountants (CIMA), the Chartered Institute of Internal Auditors (IIA) and the Association of Chartered Certified Accountants (ACCA). Each of these bodies have their own Code of Ethics which members are expected to comply with.

## Integrity

10. Internal auditors should:

- perform their work with honesty, diligence and responsibility
- observe the law and make disclosures expected by the law and the profession
- not knowingly be a party to any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation
- respect and contribute to the legitimate and ethical objectives of the Council.

## Objectivity

11. Internal auditors should:

- not take part in any activity or relationship that may impair or be presumed to impair their unbiased assessment
- not accept anything that may impair or be presumed to impair their professional judgement
- disclose all material facts known to them that, if not disclosed, may distort the reporting or activities under review.

## Confidentiality

12. Internal auditors should:

- act prudently when using information acquired in the course of their duties and protect that information
- not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Council.

## Competency

13. Internal auditors should:

- only carry out services for which they have the necessary knowledge, skills and experience
- perform services in accordance with the International Standards for the Professional Practice of Internal Auditing (as applied in the PSIAS)
- continually improve the proficiency and effectiveness and quality of their services, for example through on going meetings and engagement with the CIA.

## Principles of Public Life

14. In all dealings, Internal Audit will adhere to Nolan's seven principles of public life as set out in Exhibit 1.

### *Exhibit 1– Nolan's Seven Principles of Public life*

Principle	Description
<b>Selflessness</b>	Holders of public office should take decisions solely in terms of the public interest.
<b>Integrity</b>	Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends.
<b>Objectivity</b>	In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices impartially, fairly and on merit, using the best evidence and without discrimination or bias.
<b>Accountability</b>	Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
<b>Openness</b>	Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
<b>Honesty</b>	Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
<b>Leadership</b>	Holders of public office should promote and support these principles by leadership and example.

## PSIAS Attributes

### Internal Audit Charter (PSIAS 1000 - 1120)

15. The Internal Audit Charter (the Charter), which has been agreed by the Committee, and is subject to annual review and approval, provides the required information to comply with the PSIAS attributes listed in Exhibit 2. As such this detail is not repeated in the Manual. The Manual will cover all other requirements of PSIAS.

### *Exhibit 2– PSIAS Attributes Detailed in the Internal Audit Charter*

PSIAS Reference	Attribute
PSIAS 1000	Purpose, Authority & Responsibility
PSIAS 1100	Independence & Objectivity
PSIAS 1110	Organisational Independence
PSIAS 1120	Individual Objectivity

### Proficiency (PSIAS 1210)

16. The Internal Audit team will work with proficiency and due professional care. The CIA shall be a CCAB accountant or CMIIA internal auditor with suitable internal audit experience.

17. The CIA is responsible for recruiting appropriate internal audit staff in accordance with the Council's recruitment processes. As part of the role the CIA shall:



- ensure that internal audit collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities
- obtain competent advice and assistance where internal audit does not possess the skills, knowledge and other competencies required to perform its responsibilities
- ensure that internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation
- ensure that internal auditors have sufficient knowledge of key information technology risks and controls
- ensure that internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work.

## Due Professional Care (PSIAS 1220)

18. In completing planning activities and subsequent audit work internal auditors shall consider the:

- extent of work needed to achieve the engagement's objectives
- relative complexity, materiality or significance of matters to which assurance procedures are applied
- adequacy and effectiveness of governance, risk management and control processes
- probability of significant errors, fraud, or non-compliance
- cost of assurance in relation to potential benefits.

19. In addition internal auditors exercise due professional care during a consulting engagement by considering the:

- needs and expectations of clients, including the nature, timing and communication of engagement results
- relative complexity and extent of work needed to achieve the engagement's objectives
- cost of the consulting engagement in relation to potential benefits.

20. The CIA will ensure that regular conversations take place about performance, behaviours and career/development aspirations in line with the Council's -approach to the PRD process, this will be undertaken on an annual basis.

## Quality Assurance and Improvement Programme (PSIAS 1300)

21. The Institute of Internal Auditors (IIA) Practice Guide "Quality Assurance and Improvement Programme" (QAIP) defines a quality assurance and improvement programme as:

*"An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. These ongoing and periodic assessments are composed of rigorous, comprehensive processes; continuous supervision and testing of internal audit and consulting work; and periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. This also includes ongoing measurement and analyses of performance metrics (e.g. internal audit plan accomplishment, recommendations accepted and customer satisfaction). If the assessments' results indicate areas for improvement by the internal audit activity, the chief audit executive will implement the improvements through the QAIP."*

### Requirements of the Quality Assurance and Improvement Programme (PSIAS 1310)

22. In accordance with the requirements of PSIAS the CIA has developed and maintains a QAIP that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.
23. The QAIP assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. This assessment takes into account quality improvement from both internal and external assessments.

### Internal Assessments (PSIAS 1311)

24. At an audit activity level written policies and procedures, covering both technical and administrative matters are formally documented to guide audit staff in consistent conformance with PSIAS and the Code of Ethics. This is demonstrated by:
  - an annual assessment is undertaken, which is reported to the Committee, in order to determine the extent to which Internal Audit conforms to the Standards
  - maintenance of the Charter, setting out the purpose, authority and responsibility of Internal Audit
  - maintenance of the Manual, providing guidance on working practices.
25. Audit work conforms to written policies and procedures. This is demonstrated by:
  - all audit working papers being subject to formal review by the CIA
  - draft and final reports are checked and approved by the CIA and appropriate officers
  - this Manual setting out the various processes to ensure consistent conformance with PSIAS and the Code of Ethics.
26. Post-engagement client surveys to inform lessons learned, self-assessments, and other mechanisms to support continuous improvement are completed. These are issued at the end of each audit engagement with results acted upon and reported to the Committee.

### External Assessments (PSIAS 1312)

27. The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) has developed a framework for undertaking external assessments as follows:
  - each local authority will be reviewed once every five years
  - the SLACIAG Committee oversee the framework's implementation and provide a level of scrutiny and quality assurance to ensure the adequacy of the process and to arbitrate over any disputed outcomes as required
  - each authority is allocated another authority to assess
  - each Council's CIA may appoint a team to undertake the assessment of the body to whom it has been appointed, with the CIA being responsible for authorising the final report
  - a qualified assessor, or assessment team, needs to demonstrate competence in two areas: the professional practice of internal auditing; and the external assessment process, and it is for the CIA of the body being assessed to determine whether the assessor or team is sufficiently competent. Where a team is undertaking the inspection, these competencies must be held by the team collectively and not necessarily by all individuals within the team.

28. External assessors express an opinion on the entire spectrum of assurance and consulting work performed (or that should have been performed) by the internal audit activity, including its conformance with the Standards. Assessors also conclude on the efficiency and effectiveness of the internal audit activity in carrying out its charter and meeting the expectations of stakeholders.

#### Reporting on the Quality Assurance and Improvement Programme (PSIAS 1320)

29. The CIA will report the results of the QAIP, via Committee papers, to the Strategic Management Team (SMT) and the Committee.

#### International Standards for the Professional Practice of Internal Auditing' (PSIAS 1321)

30. The CIA shall only state that the internal audit activity conforms with PSIAS if the results of the QAIP support this.

#### Disclosure of Non-conformance (PSIAS 1322)

31. The CIA shall report any instances of non-conformance with the PSIAS to the Committee and consider including any significant deviations from the PSIAS in the governance statement where there is evidence to support this.

### Performance

#### Managing the Internal Audit Activity (PSIAS 2000)

32. The work of Internal Audit is specified to deliver upon the requirements of the Annual Internal Audit Plan in accordance with the Charter and this Manual.
33. Internal audit activities are reviewed as part of the each audit assignment prior to the issuing of reports. This is to ensure that the work continues to reflect the definitions per the Charter and the Manual. The Manual in this iteration has been specified to reflect the requirements of the PSIAS published in March 2017.

#### Planning (PSIAS 2010)

34. The Annual Internal Audit Plan is based on a documented risk assessment process. The Internal Audit plan will be developed based on a prioritisation of those key risks facing the Council including input of the SMT and the Committee. The plan will be flexible in nature, can be updated to reflect the changing risks and priorities of the Council, and will take into account:
- the Council's risk registers and risk management framework
  - a balance of coverage across all operational areas (this constitutes the assurance nature of the plan ensuring an adequate level of internal audit review annually within each service)
  - experience gained from previous Internal Audit activity
  - the impact of national issues (e.g. economic factors, the introduction of new legislation)
  - the impact of local issues (e.g. Corporate Plan and Corporate Improvement Plan)
  - periodic review of core financial and operational systems
  - the available audit resource and skills
  - staff development and training
  - time needed for the management of the Internal Audit service
  - contingency set aside for consultancy, reviews or investigations
  - liaison with other assurance providers such as the External Auditor and other scrutiny bodies.

35. The risk based plan will include suitable flexibility to reflect the changing risks and priorities of the organisation with this being kept under review by the CIA during the course of the year. Such action may be taken in response to changes in the Council's business, risks, operations, programmes, systems and controls.
36. Internal Audit may also provide consultancy work on the basis that it improves the management of risks, adds value and improves the Council's operations. A specific contingency will be made in the internal audit plan to allow for management requests and consultancy work. The CIA will consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the internal audit plan. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Committee before any significant unplanned consultancy work is accepted.

#### Communication and Approval (PSIAS 2020)

37. The CIA communicates the planned internal audit activities, along with the resource requirements to the Committee for approval. Any significant revisions in the plan, resource limitations or requirements for additional resources shall be communicated to the SMT and the Committee for approval.

#### Resource Management (PSIAS 2030)

38. The CIPFA Local Government Application note for applying PSIAS states that *'No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage'*.
39. It is the CIA's responsibility to ensure that resourcing arrangements are in place to deliver the annual risk based internal audit plan and that those resources are flexible enough to cope with special requests. Where applicable the CIA may seek additional input from external providers.
40. The internal audit plan will document the budgeted resource requirements for the audit year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the Committee.

#### Policies and Procedures (PSIAS 2040)

41. This Manual serves as the Internal Audit's policies and procedures. The Manual is specifically aligned to the provisions of the PSIAS and in complying with the Manual the team are demonstrating compliance with the standards. The Manual is reviewed, and presented to the Committee for approval, on an annual basis.

#### Coordination and Reliance (PSIAS 2050)

42. The CIA is required to share information as appropriate with other providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.
43. In preparing the Internal Audit Annual Plan, the CIA shall seek to establish the extent to which assurance can be placed on the work planned by external scrutiny bodies such as the Council's External Auditors, Audit Scotland and also any internal control reviews undertaken by local management. This work informs our planned activities for the year with other sources of assurance being used to inform the annual assurance statement as well as future audit planning. However, the

CIA accepts their accountability and responsibility for ensuring adequate support for conclusions and opinions reached by the assurance activity, no matter the source.

## Reporting to Senior Management and the Board (PSIAS 2060)

44. The CIA shall prepare and present performance reports to each sitting of the Committee. Performance reports will capture the activities of Internal Audit relative to the plan.
45. Ongoing reporting will also highlight specific issues as they relate to risk exposures, control issues, fraud, governance or any other matters that the CIA deems appropriate for consideration by the Committee. Significant issues will also be captured within the annual internal audit report.

## External Provider & Organisational Responsibility for Internal Auditing (PSIAS 2070)

46. Under any circumstances where an external internal audit service provider acts as the internal audit activity, the provider shall ensure that the Council is aware that the responsibility for maintaining an effective internal audit activity remains the responsibility of the Council. This is not applicable in the financial year 2024/25.

## Nature of the Work

47. Internal audit activity shall evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach as outlined in the Charter.
48. Planned audit work includes consideration of a number of different types of audit assignments including systems, regularity, performance, consultancy, risk and IT. This varied application of audit resources ensures that different aspects of Council business have been subjected to testing with assurances being sought over a range of activities.

## Governance (PSIAS 2110)

49. The work of Internal Audit will include reviews to improve the Council's governance processes for:
  - making strategic and operational decisions
  - overseeing risk management and control
  - promoting appropriate ethics and values within the Council
  - ensuring effective organisational performance management and accountability
  - communicating risk and control information to appropriate areas of the Council
  - coordinating the activities of and communicating information among the Committee, external and internal auditors, other assurance providers and management.
50. The work of Internal Audit shall also consider the design, implementation, and effectiveness of the Council's ethics-related objectives, programmes and activities and that the Council's information technology governance supports the organisation's strategies and objectives.

## Risk Management (PSIAS 2120)

51. The work of Internal Audit shall evaluate the effectiveness of the Council's risk management processes by determining whether:
  - organisational objectives support and align with the Council's mission
  - significant risks are identified and assessed
  - appropriate risk responses are selected that align risks with the Council's risk appetite

- relevant risk information is captured and communicated in a timely manner across the Council, thus enabling the staff, management and the board to carry out their responsibilities.
52. Internal Audit will evaluate the risk exposure relating to the Council's governance, operations and information systems regarding the:
- achievement of the Council's strategic objectives
  - reliability and integrity of financial and operational information
  - effectiveness and efficiency of operations and programmes
  - safeguarding of assets
  - compliance with laws, regulations, policies, procedures and contracts.
53. The consideration of risk shall be included in all audit assignments including those consultancy reports to ensure that they are consistent with the objectives of the engagement.
54. In completing audit assignments internal auditors shall also be alert to other significant risks and note these accordingly – informing management of possible work outside the scope of the audit where appropriate.
55. When assisting management in establishing or improving risk management processes, internal auditors must refrain from managing risks themselves, which would in effect lead to them taking on management responsibility.

## Control (PSIAS 2130)

56. The work of Internal Audit evaluates the adequacy and effectiveness of controls in the Council's governance, operations and information systems regarding the:
- achievement of the Council's strategic objectives
  - reliability and integrity of financial and operational information
  - effectiveness and efficiency of operations and programmes
  - safeguarding of assets
  - compliance with laws, regulations, policies, procedures and contracts.
57. Internal auditors will utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes.

## Engagement Planning

### Engagement Objectives (PSIAS 2210)

58. Auditors are required to ensure that objectives have been agreed for each engagement. Inherent in this process is the need to carry out a preliminary risk assessment and a consideration of the probability of the following, when developing the engagement objectives:
- significant errors
  - fraud
  - non-compliance
  - any other risks
59. At the start of all engagements (including consulting engagements), a Terms of Reference document showing the scope, objectives and associated risks of the review, plus anticipated timelines will be

created. This will be agreed between the CIA and the Internal Audit team member assigned the audit. The Terms of Reference document will also be agreed by the appropriate Head of Service or delegated audit contact.

## Engagement Scope (PSIAS 2220)

60. The scope of the audit work should be established so that it is sufficient to satisfy the engagement's objectives. The engagement scope should consider the following relevant areas of the Council (this should also consider relevant areas under the controls of outside parties):
- systems
  - records
  - personnel
  - physical properties.
61. Where significant consulting opportunities have arisen during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be developed and agreed with the CIA.
62. It is accepted that not all areas of a process will be reviewed at each audit, which might include geographical areas; the scope should be sufficient to satisfy the engagement objectives, but should also state, where appropriate, which areas are not covered.
63. For a consulting engagement, the scope of the engagement should be sufficient to address any agreed-upon objectives. If the internal auditors develop any reservations about the scope of a consulting engagement while undertaking that engagement, they are required to discuss those reservations with the relevant officer and the CIA to determine whether to continue with the engagement.
64. During consulting engagements, internal auditors are required to address the controls that are consistent with the objectives of those engagements.

## Engagement Resource Allocation (PSIAS 2230)

65. The CIA is required to decide upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on the nature and complexity of each individual engagement, time constraints and the resources available.
66. An initial consideration of the resources required is in the audit plan, but this should be reviewed when the scope and objectives of the engagement are determined.

## Engagement Work Programme (PSIAS 2240)

67. The CIA has developed a template work programme which provides a clear link between the programme and the agreed terms of reference and Internal Auditors should use this template for all assignments. The template demonstrates how the work performed meets the agreed engagement objectives.
68. The work programme should be created by the internal audit team member assigned the audit, in discussion with the CIA, and include procedures for identifying, analysing, evaluating and documenting information. Work programmes for consulting engagements may vary in form and content depending on the nature of the engagement. This will require the approval of the CIA.
69. Work programmes must be approved by the CIA prior to implementation for each engagement and amended as necessary.

## Performing the Engagement

### Identifying Information (PSIAS 2310)

70. Internal auditors are required to identify sufficient, reliable, relevant and useful information to achieve each engagement's objectives.
71. Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

### Analysis and Evaluation (PSIAS 2320)

72. When performing audits, internal auditors are required to base their conclusions and engagement results on appropriate analysis and evaluation whilst remaining alert to the possibility of:
  - intentional or unintentional wrongdoing
  - errors and omissions
  - poor value for money
  - failure to comply with Council policy
  - conflicts of interest.

### Documenting Information (PSIAS 2330)

73. Internal auditors are required to document the relevant information required to support engagement conclusions and results. This includes the need to ensure that working papers are sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached.
74. Records management must be consistent with the Council's overall document retention policy, which is in turn consistent with the requirements of the Information Commissioner's Office. Internal Audit record keeping must also be consistent with the specific requirements of the area audited, for example EU audits require documents to be kept for 7 years after the last payment has been made.
75. Electronic engagement records are kept in a restricted folder and on Sharepoint. ICT are responsible for the security controls, and the CIA is responsible for specifying who should have access to this.
76. The CIA shall obtain the approval of senior management and/or legal counsel as appropriate before releasing any engagement records to external parties.

### Engagement Supervision (PSIAS 2340)

77. All internal audit engagements shall be properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed.
78. Appropriate evidence of supervision and management review should be documented and retained for each engagement.

## Communicating Results

79. Communicating the results of our internal audit work is a crucial aspect of the audit process and is the key link to our stakeholders including the SMT, Heads of Service, Elected Members, the Committee and (where appropriate) the public.



### Criteria for Communicating (PSIAS 2410)

80. All audit reports are to be drafted using the template developed by the CIA. This template requires, as a minimum, the overall audit opinion, executive summary, objectives and summary assessment, detailed findings, and an action plan. Any deviation from the template report requires approval by the CIA.
81. Prior to issuing the draft report internal auditors are required to discuss the draft findings with the appropriate officers to confirm factual accuracy. This will generally be carried out at a clearance meetings and a template has been created to facilitate and document that meeting.
82. Where auditors make recommendations and include an action plan, such recommendations are graded to allow the significance of findings to be ascertained.
83. Action plans will include a management response that sets out the agreed action and timescales for the completion of improvement actions. Internal Audit will enter the agreed actions and timescales in the internal audit follow up database.
84. Where there are any areas of disagreement between the internal auditors and management, which cannot be resolved by discussion, such disagreements should be recorded in the action plan and the residual risk highlighted. As all audit reports are reported to the Committee in their entirety this disagreement will be reported to the Committee as and when the report is presented.
85. In completing audit activities, auditors are required to include and disclose all material facts identified as part of their audit work and subsequent reports which, if not disclosed, could distort their reports or conceal unlawful practice. Such disclosures should be made with reference to confidentiality requirements or other considerations that may preclude the release of information into the public domain which are primarily outlined in [Schedule 7A Exempt Information – Local Government \(Scotland\) Act 1973](#) or as amended.

### Quality of Communications (PSIAS 2420)

86. The work of Internal Audit should always seek to ensure that communications are accurate, objective, clear, concise, constructive, complete, and timely.

### Errors and Omissions (PSIAS 2421)

87. It is the CIA's responsibility to ensure that where a final report contains a significant error or omission, subsequent changes, revisions or corrections are communicated to all parties who received the original communication.

### Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing' (PSIAS 2430)

88. Internal Audit planning and the production of the audit reports will include reference to work being carried out 'in conformance with the PSIAS'. Such disclosure requires underlying activities, such as the results of any QAIP and an assessment of conformance with the Manual. Such a statement can only be made where there is work to support this disclosure.

### Engagement Disclosure of Non-Conformance (PSIAS 2431)

89. Where any non-conformance with the PSIAS or Code of Ethics has impacted on a specific engagement, the communication of the results should include the following disclosures:
  - the principle(s) or rule(s) of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved
  - the reason(s) for non-conformance

- the impact of non-conformance on the engagement and the engagement results.

## Disseminating Results (PSIAS 2440)

90. The CIA is responsible for determining the circulation of audit reports within the Council. This circulation should be mindful of confidentiality or the possibility of other legislative requirements. Standard practice is for the report to be issued to the:

- Chief Executive
- relevant Executive Director
- relevant Head of Service
- Head of Financial Services
- SMT Admin (for inclusion in SMT meeting)
- key audit contact
- external audit
- the Committee

91. The CIA shall determine whether there is any specific reason for the distribution list to be amended for any specific report. All audit reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted however this decision will only be taken in consultation with senior management and legal counsel as appropriate.

## Overall Opinion (PSIAS 2450)

92. The CIA will deliver an annual internal audit opinion and report that can be used by the Council to inform its governance statement.
93. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control and include a statement on conformance with the PSIAS and the results of the QAIP.

## Monitoring Progress (PSIAS 2500)

94. Internal Audit are responsible for following up on agreed action plans to ensure those actions are properly implemented. On a quarterly basis services are contacted and asked to provide an update on progress against all open action plan points. This is reported to the SMT on a quarterly basis and as a standard agenda item to the Committee. Where a service reports an action has been closed Internal Audit ask for evidence to support that status. All action plan points will remain open until appropriate action is demonstrably taken by management or the risk of no action is formally accepted.

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**ARGYLL AND BUTE COUNCIL****AUDIT AND SCRUTINY COMMITTEE****FINANCIAL SERVICES****14 MARCH 2024**

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**SCRUTINY FRAMEWORK AND MANUAL ANNUAL REVIEW**

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**1. SUMMARY**

- 1.1 This report concludes the annual review to determine whether any changes are required to the Council's Scrutiny Framework and Manual.

**2. RECOMMENDATIONS**

- 2.1 To note the outcome of the annual review of the Scrutiny Framework and Manual (Appendix 1 & Appendix 2).

**3.0 DETAIL**

- 3.1 In March 2018 the Committee approved the Council's Scrutiny Framework which incorporated the scrutiny prioritisation process. In June 2018 the Committee endorsed a Scrutiny Manual which provided more detailed guidance on how to carry out a scrutiny review.
- 3.2 In the five years since those two governance documents were approved we have continued to evolve our approach to scrutiny as we have reflected on what works well, where improvements can be made and alternative ways of performing scrutiny in addition to the current Scrutiny Panel approach.
- 3.3 In March 2020 the Committee considered a 'Scrutiny- Lessons Learned' report. The 'Lessons Learned' were those identified by:
- Scrutiny Panel members
  - Scrutiny Panel witnesses (both internal and external to the Council)
  - the Chief Internal Auditor (CIA and scrutiny officers)
- 3.4 The Lessons learned report also reflected on discussions that had been held during Committees about whether there were different ways that the Committee could perform scrutiny that would complement the Scrutiny Panel approach. For example by inviting council officers to brief the Committees on topics of specific interest.
- 3.5 In April 2021 a development session was held to discuss potential scrutiny topics for review and consider amendments to the scrutiny process.
- 3.6 The scrutiny topic identification, prioritisation and overall approach adopted at that time was outlined to the Committee. The Committee were asked to consider some

key questions and the responses are summarised below:

- There needs to be a degree of flexibility to change topics and to be able to react quickly to an ever changing environment.
- It is for the Committee to determine scrutiny topics
- Depending on the number of emerging topics, the Committee may need to meet more often, however these could be less formal and held virtually
- An annual Scrutiny Plan is not required, topics should be allowed to emerge
- The prioritisation process is there as a tool if needed, but there is no need to assess every scrutiny topic
- There has been value in having full panel meetings but these are resource intensive and scrutiny lite should be adopted where appropriate.

3.7 The Scrutiny Manual (Appendix 1) and Scrutiny Framework (Appendix 2) have been reviewed and no substantial change is required at this time:

### 3.8 Scrutiny Manual Changes

Page	Para	Summary of Change	Reason for Change
		No changes	

### 3.9 Scrutiny Framework Changes

Page	Para	Summary of change	Reason for Change
		No changes	

## 4.0 CONCLUSION

4.1 The CIA has reviewed the Scrutiny Framework and Scrutiny Manual to determine whether any changes were required from those approved in 2023. No substantial changes were required.

## 5 IMPLICATIONS

- 5.1 Policy - None
- 5.2 Financial –None
- 5.3 Legal –None
- 5.4 HR – None
- 5.5 Fairer Scotland Duty – None
- 5.5.1 Equalities – None
- 5.5.2 Socio-Economic Duty – None
- 5.5.3 Islands Duty – None
- 5.6 Climate Change - None
- 5.7 Risk – None
- 5.8 Customer Service – None

5.9 The Rights of the Child (UNCRC) - None

For further information please contact Internal Audit (01546 604108)

**Paul Macaskill**  
**Chief Internal Auditor**  
**14 March 2024**

**Appendices**

**Appendix 1 - Scrutiny Manual**  
**Appendix 2 - Scrutiny Framework**

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# Argyll and Bute Council

## Scrutiny Manual

March 2024



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## Introduction

1. In March 2021 the Audit and Scrutiny Committee (the Committee) approved Argyll and Bute Council's (the Council) updated Scrutiny Framework (the Framework). This was first approved in March 2018 and it establishes the framework for scrutiny within the Council. It is for the use of anyone involved in the scrutiny process including:
  - members of the Audit and Scrutiny Committee
  - all elected members of the Council
  - staff involved in the scrutiny process and those who may be required to provide evidence as part of a scrutiny review
  - members of the public, partners and external organisations who may be invited to provide evidence as part of a scrutiny review.
2. The Framework sets out the process adopted to identify scrutiny topics and confirms that the Chief Internal Auditor (CIA) will develop and maintain guidance on the performance of scrutiny reviews. This manual, first approved by the Committee in 2018 and last updated in March 2022, provides that guidance and is designed to be a reference tool for officers carrying out scrutiny reviews, it is not intended to be prescriptive, but to help ensure the scrutiny review process is a more structured and informed one.

## Scrutiny Reviews

3. Scrutiny reviews can be broken down into five stages as illustrated in exhibit 1. The process is cyclical as it can be necessary to revisit earlier steps as the review progresses.

*Exhibit 1 – Five Stages of a Scrutiny Review*



## Stage 1-2 – Scoping and Identifying Required Evidence

4. Initially the identified scrutiny topic may be quite loosely defined. If it is required to be assessed against the prioritisation process defined in the Framework there may already have been a need for it to be clarified. However, if chosen for scrutiny, further clarification may be required to help determine a precise focus. This should be carried out by the appointed scrutiny officer in consultation with the topic proposer and the appropriate council service.
5. Once the topic is clearly defined the scope of the review should be determined. In particular we need to establish the:
  - purpose and objectives
  - specific areas to be covered and any exclusions
  - approach to be adopted
  - evidence required
  - people to be interviewed or invited to give evidence
  - anticipated outputs
  - timescales.
6. Defining the scope of the review will normally happen during an initial panel briefing meeting which is attended by the three Scrutiny Panel members (a subset of the Audit and Scrutiny Committee), the CIA and the appointed scrutiny officer.
7. That initial panel should also agree indicative timescales for panels to allow a provisional plan for the key stages of the review to be created.
8. Once the Scrutiny Panel have agreed the scope and objectives they should be shared with all members of the Audit and Scrutiny Committee. This will be done by e-mail as waiting for the next meeting of the Committee might result in too much time elapsing.

## Stage 3 – Evidence Gathering

9. When considering how the evidence is to be gathered it is important to remember there is no definitive process. Every scrutiny review will be different and there are a range of different approaches that should be considered. These include:
  - public meetings
  - surveys
  - workshops / focus groups
  - site visits (internal and external)
  - sourcing data and reports
  - literature research
  - SWOT/PESTLE analysis
  - investigating good practice
  - reviewing performance and financial data including trends and comparisons
  - process mapping
  - investigating potential collaborators and/or alternative suppliers
  - interviewing experts
  - working with officers and elected members to research issues.
10. The evidence can be categorised as either ‘written and secondary evidence’ or ‘oral evidence’.

## Written and Secondary Evidence

11. This includes:

- written evidence from internal and external individuals and organisations
- notes taken by the scrutiny officer during interviews or site visits
- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.

12. All written evidence considered as part of the review should be kept on file and retained in a manner consistent with the requirements of the Council's records management plan. These files be stored on a SharePoint site managed by Scrutiny Officers.

## Oral Evidence

13. The gathering of written evidence may identify a benefit in inviting internal and external individuals to provide oral evidence either to the scrutiny officer as part of the review, or directly to the Committee at an informal and private meeting. The scrutiny process should be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

14. It is important that, all internal and external individuals invited to give evidence, are:

- treated with courtesy and respect
- given ample notice of the time, date and place of meeting
- informed of the review scope
- provided with questions, or the line of questioning, in advance with an explanation that this will not be a restrictive list
- provided with copies of any relevant reports, papers and background information
- given the opportunity to submit written evidence in advance of the meeting which is circulated to Committee members
- given the opportunity to decline or to submit written evidence instead of appearing in person
- introduced to the Committee chair prior to the meeting commencing.

15. Minutes from any scrutiny panels should be circulated to scrutiny panel members, and any council officer or external individuals that participated in the panel to enable them to comment on the factual accuracy of the minute before they are finalised. When these are issued a timescale for response should be provided with a statement that they will be accepted as correct if no response is received by the stated timescale.

## Council Officers/Elected Members Providing Evidence

16. Council officers invited to give evidence would normally be third tier managers or above (although this could extend to other elected members). The officers to be invited must be agreed with the relevant member of the Council's Senior Management Team and/or relevant Head of Service to ensure they have the necessary knowledge of the topic.

17. The evidence giving process must be seen as being supportive of scrutiny and not an opportunity to be critical of any officer giving evidence. Questions asked of officers must be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised. Scrutiny should

never be used to question the capability or competence of officers, or about matters of a disciplinary nature, and questions should never be asked in a way that may be considered confrontational.

18. 'Guidelines for Officers Attending Scrutiny Committees' are included at Appendix 1. A copy of these guidelines should always be provided to officers prior to them attending meetings.

## External Experts Proving Evidence

19. External experts can be an essential part of undertaking a scrutiny review and their evidence can be a valuable source of information. Providing information to a scrutiny review or attending a scrutiny committee may be a new experience to some and it should be remembered that external experts are attending on a voluntary basis. It is incumbent on the scrutiny team and Committee members to ensure their experience is positive and stress-free.

20. External experts can be drawn from a wide range of individuals and organisations, for example:

- elected Members and officers from other councils
- other external public sector bodies
- voluntary sector organisations (local, regional and national)
- professional associations
- trade unions
- private sector
- user groups (local, regional and national)
- community groups
- experts in the subject area (academics, public or private sector managers).

21. 'Guidelines for External Experts Attending Scrutiny Committees' are included at Appendix 2. A copy of these guidelines should always be provided to witnesses prior to them attending meetings.

## Stage 4-5 - Conclusions and Reporting

22. At the end of a review a draft report should be produced which provides a full picture of the issues under consideration and contains key findings and learning points. The report must be evidence based and relate directly to the review scope.

23. Learning points should focus on delivering improvements in service delivery, policy or strategic direction. The scoping phase of the review will have identified the purpose and objectives of the review and the final report should be closely aligned to those objectives. A template for the report has evolved as the scrutiny process has developed between 2018 and 2021 however we should remain flexible about how we report on scrutiny work as there could be occasions where a different approach might be beneficial. However, as a minimum, the output should include:

- executive summary
- introduction (including the background, scope and approach)
- findings
- learning points
- appendices (where required)

24. The draft report should be agreed with the Scrutiny Panel members before being discussed and cleared with the relevant council officers at a meeting attended by the Chair of the Scrutiny Panel, the CIA and possibly the appointed Scrutiny Officer.

25. Once the Scrutiny Panel are satisfied the report can be finalised and submitted to the next scheduled Committee meeting for endorsement, the Committee will also determine at this meeting which, if any, of the other council committees the report should be submitted to for consideration.
26. All scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted however this decision will only be taken in consultation with senior management and legal counsel as appropriate.

## Appendix 1 – Guidelines for Officers Attending Scrutiny Committees

### Giving Evidence to the Audit & Scrutiny Committee – A Guide for Council Officers

#### Introduction

This document provides guidance to Council staff who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve our decision making, policy development & implementation and service delivery.

#### What is the Committee?

The Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it is not a political committee and should always conduct itself impartially.

#### What does the Committee do?

The overall remit of the scrutiny element of the Committee is to *'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.'*

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement. The committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

#### Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee.

The Chief Internal Auditor is responsible for ensuring that officers giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the questions to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor ([audit.internal@argyll-bute.gov.uk](mailto:audit.internal@argyll-bute.gov.uk))

#### Why have you been invited?

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

#### What are the arrangements for meeting members of the Committee?

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated

- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key themes which will form the basis of the discussion with the committee. This will allow you to come prepared and seek out any information that you may need in advance.

You should inform your line manager that you have been invited to the meeting. If you have any problems or questions, please contact the Chief Internal Auditor.

## **Meeting location**

Historically these meetings take place in one of the Council's administrative buildings however the impact of the COVID pandemic makes it more likely they will be virtual meetings.

## **What happens at the meeting?**

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than two hours. Officers who support the Committee and any independent external expert will also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key themes will be discussed and you should be open and honest in your responses and feel free to raise additional issues related to the topic.

Please be aware that your participation in the process is very much seen as being supportive of scrutiny and is appreciated by all the Committee members. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly. It is not an opportunity for Committee members to be critical of any officer giving evidence or to question the competence of any officer. Questions will be focused on reviewing the policies and performance of the Council in relation to the topic being scrutinised.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

## **What happens after the meeting?**

After the meeting, you will be sent a summary note of the discussion. You are entitled to make any additions, deletions or amendments to this note and these should be highlighted and the document returned. The note is confidential until it has been agreed by all witnesses. Once the Committee has heard all the evidence, and drawn its conclusions and recommendations, a briefing or report will be written and submitted to a formal meeting of the Committee. At this meeting the Committee will also determine which of the other council committees the report should be submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees. Scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

## Appendix 2 – Guidelines for External Experts Attending Scrutiny Committees

### Giving Evidence to the Audit & Scrutiny Committee – A Guide for External Experts

#### Introduction

This document provides guidance to external witnesses who have been asked to provide written or oral evidence to the Audit and Scrutiny Committee (the Committee). Scrutiny is a key component of good governance which helps the Council improve its decision making, policy development & implementation and service delivery.

#### What is the Committee?

The Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it is not a political committee and should always conduct itself impartially.

#### What does the Committee do?

The overall remit of the scrutiny element of the Committee is to *'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.'*

In summary it considers the performance of the Council, looking at the effectiveness of policies and service delivery and identifies areas for improvement with, wherever possible, a key focus on outcomes for the community rather than inputs. As such scrutiny adopts a 'critical friend' approach to help promote continuous improvement.

The Committee does not make policy and does not take decisions about the operation of council services, but it may make recommendations to Council on policy matters.

#### How does the Committee work?

The Committee collects evidence from a wide variety of sources including:

- written evidence from a range of internal and external individuals and organisations
- notes taken by the scrutiny team during interviews or site visits
- existing council plans, policies, strategies, and reports relevant to the subject area
- relevant national guidance, legislation and documentation
- relevant guidance, good practice guides from national and regional bodies
- good practice and innovative reports and plans from other councils.
- questioning witnesses, experts and relevant community groups
- surveys and questionnaires.

#### Scrutiny Support

The Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for supporting scrutiny reviews and drafting the scrutiny reports for the Committee.



The Chief Internal Auditor is responsible for ensuring that external experts giving evidence are given good advance notice of any invitation to meet committee members, are properly briefed about the arrangements for the meeting and receive adequate notice of the themes to be discussed at the meeting. If you have any queries about scrutiny or your participation in it then please contact the Chief Internal Auditor ([audit.internal@argyll-bute.gov.uk](mailto:audit.internal@argyll-bute.gov.uk))

### **Why have you been invited?**

You have been asked to meet the Committee because you have knowledge or expertise that is relevant to the topic being reviewed. The meeting also provides you with the opportunity to express your views on any strengths, weaknesses and possible areas for improvement.

### **What are the arrangements for meeting members of the Committee?**

You will be contacted by phone or e-mail by an officer supporting the committee. The officer will explain:

- why you have been invited
- background information about the committee
- background about the topic being investigated
- arrangements for your attendance.

Approximately two weeks before the meeting, you will be sent key themes which will form the basis of the discussion with the committee however the Committee may not restrict itself to these themes. This will allow you to come prepared and seek out any information that you may need in advance. You are welcome to send an initial written response to these themes before the meeting takes place however this is entirely optional.

### **Meeting location**

Historically these meetings take place in one of the Council's administrative buildings however the impact of the COVID pandemic makes it more likely they will be virtual meetings.

### **What happens at the meeting?**

The meetings are informal and are conducted in an open and friendly manner and usually last no longer than two hours. Officers who support the Committee and any internal or external experts may also be present. The Chair or nominated lead will open the meeting by welcoming and introducing those present and outlining the process. The key questions will be discussed, with supplementary questions being asked where appropriate. The scrutiny process is designed to be inclusive and ensure that all those who wish to contribute whether as councillors, officers, external experts or members of the public feel valued and are able to speak freely and openly.

Notes will be taken of the discussion at the meeting. The meetings are held in private and notes of the evidence will not become record until you have agreed to them.

### **What happens after the meeting?**

After the meeting, you will be sent a summary note of the discussion. You are entitled to make any additions, deletions or amendments to this note and these should be highlighted and the document returned. The note is confidential until it has been agreed by all witnesses. Once the Committee has heard all the evidence, and drawn its conclusions and recommendations, a briefing or report will be written and submitted to a formal meeting of the Committee. At this meeting the Committee will also determine which of the other council committees the report should be submitted to for consideration. This could be to full Council, to the Policy & Resources Committee or to one of the service committees.

Scrutiny reports are submitted in their entirety to the Committee which, through the transparent provision of committee papers, makes them public documents. In the event that the report contains sensitive information they may be restricted.

## **Am I obliged to attend?**

Whilst your participation in the process will be very much appreciated by all the Committee members you are, of course, under no obligation to attend. If you do not wish to be involved in the process or would prefer to just submit written evidence rather than attending to give oral evidence then you are perfectly entitled to make that choice.

## **Expenses**

As you have been invited to attend a meeting the Council would reimburse you for any reasonable travelling expenses.

# Argyll and Bute Council Scrutiny Framework March 2024



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## Introduction

1. The purpose of this document is to explain the framework for scrutiny at Argyll and Bute Council (the Council). It is for the use of anyone who has any involvement in the scrutiny process including:
  - members of the Audit and Scrutiny Committee
  - all elected members of the Council
  - staff involved in the scrutiny process and those who may be required to provide evidence as part of a scrutiny review
  - members of the public, partners and external organisations who may be invited to provide evidence as part of a scrutiny review.
2. In 2017 a decision was taken that the responsibility for the remit of scrutiny would move to a newly established Audit and Scrutiny Committee. The Committee approved a new Scrutiny Framework in March 2018 and this updated version was approved by the Committee in March 2022.

## What is Scrutiny?

3. Overview and scrutiny committees were established in England and Wales under the Local Government Act 2000 to provide the opportunity for members of the Council to examine services provided, ask questions on how decisions have been made and consider whether service improvements can be delivered.
4. In Scotland there is no requirement for scrutiny established by statute and consequently scrutiny committees in Scotland have no prescribed powers. This contrasts with the position in England and Wales where scrutiny committees have formal powers to require council officers and elected members to give evidence, require information from the council and require a response to any recommendation put to the council's management team.
5. Whilst there is useful guidance available there is no definitive view on what the role and objectives of scrutiny are in Scotland. Consequently this provides the Council with the opportunity to frame the delivery of governance in the way it feels is most beneficial. The Council's approach to scrutiny focuses on:
  - reviewing the council's effectiveness in achieving policy objectives
  - assessing the impact of council policies
  - making suggestions for improvement.
6. As the primary focus of scrutiny is on council policy it is appropriate to provide a definition of policy.

*'Policy – A policy is a formal, concise, accessible statement on how the council intends to conduct business and deliver services. Generally it will be a statement of intent with rules that influence and enable decision making. A policy statement will lessen the risk of conflict and remove the opportunity for unfair selective application of rules'.*

## Audit and Scrutiny Committee

7. The Council is made up of 36 elected members representing the 11 wards of Argyll and Bute. Elected members play a key role in the Council through their involvement in full council meetings and their representation on the Council's strategic and area committees. A degree of scrutiny is carried out at these committees through performance reporting, ongoing monitoring of service delivery and the consideration of the conclusions from the Council's Performance Improvement Framework (PIF) which sets out the Council's approach to continuous improvement and the agreed mechanism for achieving best value across all services. It is therefore important that the Audit and Scrutiny Committee do not replicate any of the existing scrutiny arrangements and focus its resources in an efficient manner which complements those arrangements.
8. In particular, when assessing potential topics for scrutiny, the Committee should ensure the topic is not already being considered by an existing committee (area or strategic). The Audit and Scrutiny Committee should not generally be seen as the first committee to contact in relation to a topic meriting potential review nor should it be seen as a committee to deal with complaints.
9. The Audit and Scrutiny Committee is a cross-party committee made up of seven elected members, (four from the opposition and three from the council administration) and an independent chair. This provides an appropriate political spread within its membership however it should be stressed that it is not a political committee and should always conduct itself impartially.
10. The terms of reference for the scrutiny element of the Audit and Scrutiny Committee are included in Appendix 3 to this framework however its overall remit is to 'perform a scrutiny role through the provision and delivery of scrutiny work focused on improving the performance of the Council.' The remit of the Audit and Scrutiny Committee would extend to those organisations with whom the Council have entered into any form of formal agreement with for the delivery of statutory services, this would include the Health & Social Care Partnership and Live Argyll. The Audit and Scrutiny Committee is required to meet at least four times every year.

## Principles of Good Scrutiny

11. To ensure scrutiny is effective the Centre for Public Scrutiny has put forward four key principles. They being that scrutiny should:
  - provide a 'critical friend' challenge to the council, council officers and agencies
  - reflect the voices and concerns of residents and communities
  - drive improvement in the delivery of public services
  - be delivered by independent minded members.
12. These principles underpin the work of the Council's Audit and Scrutiny Committee.

## Scrutiny Support

13. The Audit and Scrutiny Committee is supported by the Chief Internal Auditor and staff from the internal audit section who will be responsible for carrying out scrutiny reviews and drafting the scrutiny reports for the Committee. This ensures impartiality and access to appropriate skills and experience to effectively investigate any aspect of council activity.

## Developing the Scrutiny Work Programme

14. The Audit and Scrutiny Committee will identify topics for scrutiny whilst maintaining a degree of flexibility to change these as new topics emerge in an ever changing environment. As there is only a finite amount of resource available to perform scrutiny a clear and transparent prioritisation process has been adopted for assessing multiple potential topics to determine those most likely to have a positive impact on council performance. The prioritisation process will only be required if there is insufficient resource to review all the topics identified by the Committee or if there is any question over whether reviewing the topic would be of material benefit.
15. Stage 1 asks five filtering questions to determine whether the topic passes to stage 2 or is rejected at stage 1. Stage 2 is used to determine whether the topic should be considered as a high or medium priority topic. Appendix 2 illustrates the two stage process.
16. Stage 3 of the prioritisation process applies a weighted scoring system to those topics that successfully progressed from stages 1 and 2. The topic is assessed against eight criteria with weighted scores allocated to each criteria. An overall score is then reached for the topic and this allows the topics with the highest overall score to be prioritised. The score allocated to each criteria will require an appropriate balance of subjective and objective analysis. Appendix 3 illustrates stage 3 of the prioritisation process. There may be circumstances where there is an emerging issue which cannot be fully assessed using the prioritisation process due to there being a lack of supporting evidence. In this circumstance the prioritisation process will still be completed with the selected answers based on a realistic expectation rather than historic evidence. This provides scope for the Audit and Scrutiny Committee to determine whether a topic should be scrutinised despite not being fully subject to the agreed process.

## Scrutiny Reviews

17. Scrutiny reviews are carried out by the scrutiny officer who reports to the Chief Internal Auditor. A review follows a five stage process as set out below:
  - Stage 1 – Scoping
  - Stage 2 – Identifying evidence required and key stakeholders
  - Stage 3 – Evidence gathering
  - Stage 4 – Conclusions and recommendations
  - Stage 5 – Submission of final report
18. Guidance on each of these stages will be developed and maintained by the Chief Internal Auditor.
19. Between 2018 and 2021 scrutiny activity has involved the ‘full panel’ approach which is appropriate for large scale reviews however may be less appropriate if the Committee want to review an emerging issue or where there may be an alternative way of performing scrutiny. Consequently the scrutiny process has evolved to consider alternative ways to perform scrutiny which complement the full panel approach. For example the Committee may wish to invite officers to prepare a formal report or a presentation on a particular topic for Committee to consider or invite them to attend a development session for a more informal discussion.

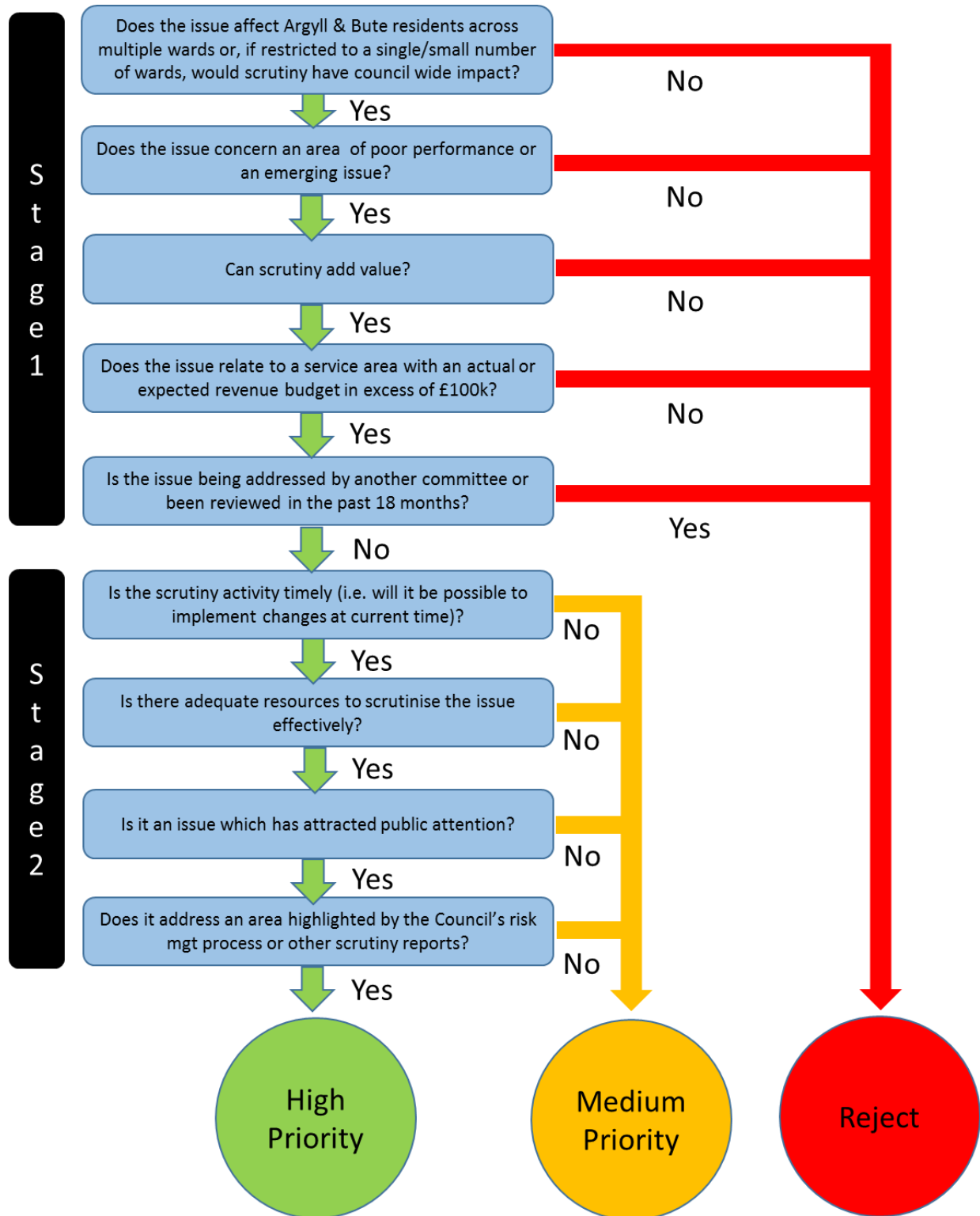
## Appendix 1 – Audit and Scrutiny Committee Terms of Reference (Scrutiny element only)

- To oversee and co-ordinate the scrutiny function including approval of the scrutiny framework and associated policies or procedures.
- To scrutinise the performance of the Council in relation to the achievement of policy objectives and performance targets in relation to all functions of the Council.
- To identify topics for scrutiny work in relation to the performance of the Council and funded third party organisations.
- To consider and make recommendations in respect of scrutiny reports brought to the Committee for consideration.
- To monitor the implementation of scrutiny recommendations accepted by the Council.
- To provide an annual report to the Council on the work of the scrutiny function.
- To periodically review the scrutiny function to ensure it is operating effectively.
- To receive the Council performance report.

Note that the responsibility for scrutiny at service committee level will be incorporated into the service committee terms of reference.



Appendix 2 – Scrutiny Prioritisation Process Stages 1 and 2



## Appendix 3 – Scrutiny Prioritisation Process Stage 3

<b>TOPIC TITLE:</b>	Increasing recycling rates						
<b>SUBMITTED BY:</b>	AN Other						
<b>DATE OF SUBMISSION:</b>	08 November 2017						
<b>STAGE 2 ASSESSMENT OUTCOME:</b>	Medium Priority						
	QUESTION	OPTIONS	SELECTION	SCORE	WEIGHTING	TOTAL SCORE	JUSTIFICATION FOR SELECTION
1	What is the current performance based on the council's performance scorecard?	> 10% under target < 10% under target < 10% over target > 10% over target Not applicable	< 10% over target	2	3	6	Business outcome BO24 - Waste is disposed of sustainably has two performance measures. Reduction in waste to landfill of 21,500 and % of waste recycled, composted and recovered of 40%. Current performance is 9,932 and 49.3%. This means we are under target by 54% for target reduction but 23% over for % recycled. As the focus of the topic is increasing recycling the Committee decided to focus on the missed target for reduction.
2	To what extent does the issue contribute to a business outcome aligned to the Council's corporate plan?	Major contribution Significant contribution Medium contribution Slight contribution No contribution	Medium contribution	2	3	6	Whilst recycling is not specifically referenced in the corporate plan, business outcome BO24 ' features in the Roads & Amenity Services service plan. The plan references one of the challenges to the service as being 'Delivery of a revised waste strategy that is affordable and compliant'
3	To what extent is this issue being highlighted as a public concern?	Widespread Significant Medium Slight Not applicable	Slight	1	2	2	There has been a degree of interest and campaigning by local environmental groups however this is not considered to be Council wide and has been mainly isolated to two ward areas.
4	What is the revenue budget commitment to this area of service?	>1m 500k-1m 250k-500k 100k-250k	>1m	4	3	12	Business outcome BO24 has an allocated revenue budget of £11.7m
5	In the past three years what is the pattern of budget performance for this area?	Major under/over spend Significant over/under spend Medium over/under spend Slight over/under spend Largely on budget	Slight over/under spend	1	2	2	Outturns in the previous three financial years have been consistently over budget however in none of these occasions has the budget been exceeded by more than 1.5%.
6	What is the status of national legislation on the issue?	Failure to implement = penalties Current legislation Definite future legislation Possible future legislation Not applicable	Definite future legislation	2	2	4	The service plan established that there is future legislation which will impact upon the service however the full detail of that legislation is not currently clear. Discussion with the Head of Service confirmed that it is likely to involve financial penalties if recycling rates are missed.
7	How widespread is the impact of the issue?	Council wide Multiple wards Single ward Small no of residents No impact	Council wide	4	1	4	For the council to meet future recycling targets our reduction in land fill will need to be improved across all wards. Simply focusing on one or two areas will not deliver the required improvement in performance.
8	Does the issue feature in the Council's risk management registers?	Yes - red risk Yes - amber risk Yes - green risk No	Yes - amber risk	3	3	9	The ORR for D&I includes the following which are relevant to recycling. (RA06-01) Demand Risk - Failure to reduce environmental impact through minimisation of waste to landfill and increasing recycling rates – risk score 8 (RA06-02) Demand Risk – Recycling targets increase – risk score 8
					<b>WEIGHTED TOTAL</b>	<b>45</b>	
					<b>HIGH / MEDIUM FACTOR</b>	<b>1</b>	
					<b>TOTAL SCORE</b>	<b>45</b>	

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**LOCAL GOVERNMENT IN SCOTLAND – FINANCIAL BULLETIN 2022-23**

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**1. SUMMARY**

- 1.1 The purpose of this report is to present the main issues raised in the recent Local Government Financial Bulletin 2022-23 report by the Accounts Commission and to highlight relevant matters to the Committee.
- 1.2 The report is split into three parts:
- Key messages from Local Government finances for 2022-23.
  - Part 1 considers councils' financial summary for 2022-23.
  - Part 2 considers the financial outlook for councils in 2023-24.
- 1.3 The report's key messages are listed on Page 3 and 4 of the document and are summarised as follows:
- Despite councils receiving more funding and income in cash terms, due to high inflation in 2022-23 total revenue funding from all sources fell by £619m (2.8%).
  - Councils received more core revenue funding from the Scottish Government than in 2021/22 in real terms. However, an increasing proportion is ring-fenced or provided with the expectation it will be spent on specific services. This means that the amount of funding available for councils to spend freely on local priorities is reducing.
  - There is pressure on all public-sector capital budgets, and this presents risks to the viability of local government capital programmes, many of which impact on key services (eg, the construction and maintenance of schools, libraries, roads). Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic and has been volatile over the past decade. Borrowing costs have reduced in recent years as many councils have used permitted financial flexibilities to reprofile debt payments. While helping with immediate budget pressures, these decisions defer costs to later years and do not tackle the underlying challenges to financial sustainability. Additional borrowing also places further pressure on revenue budgets over the longer term.
  - At the time of setting their 2022/23 budgets, councils anticipated budget gaps of over £476 million for the year, higher than the previous year. Councils are increasingly having to rely on savings and reserves to balance budgets..
  - Despite the financial pressures of recent years, half of councils increased their usable reserves in 2022/23, and overall usable reserves grew to £4.45 billion. This is driven by growth in committed reserves.
  - Local appointed auditors did not identify any councils in Scotland as being financially unsustainable in the short term.

- Councils' medium- and longer-term financial plans demonstrate a clear recognition of the difficult financial context and the need to continue to innovate at pace and make difficult decisions to become more financially sustainable.
- The Verity House Agreement includes a commitment to offer councils longer term funding and greater local financial flexibility. These proposed changes will be important, in providing greater financial certainty to support better long-term planning and more flexible direction of resources to meet local need. However, the recent announcement of a proposed council tax freeze significantly reduces discretion and flexibility at individual council level. The impact this will have on financial sustainability is not yet known, but councils have placed an increased reliance on raising council tax to help deliver a balanced budget over the past two years.

- 1.4 The report also contains a number of exhibits some of which show where Argyll and Bute Council is placed compared to other Local Authorities.
- Argyll and Bute Council had the 3<sup>rd</sup> smallest budget gap of the 32 Scottish Councils as a proportion of net cost of services for 2022-23 which demonstrates sound financial management.
  - The Council achieved the majority of its savings targets for 2022-23.
  - Argyll and Bute's Useable Reserves as a percentage of net revenue expenditure place it fourth highest across Scotland ensuring financial risks or unplanned expenditure are able to be managed.

## 2. RECOMMENDATIONS

- 2.1 The Audit and Scrutiny Committee is asked to consider the contents of the Accounts Commission report.

## 3. IMPLICATIONS

3.1	Policy	None.
3.2	Financial	None.
3.3	Legal	None.
3.4	HR	None.
3.5	Fairer Scotland Duty:	None.
3.5.1	Equalities	None.
3.5.2	Socio-Economic Duty	None.
3.5.3	Islands Duty	None.
3.6	Climate Change	None.
3.7	Risk	None.
3.8	Customer Services	None.
3.9	The Rights of the Child (UNCRC)	None.

**Kirsty Flanagan**  
**Executive Director/Section 95 Officer**

**20 February 2024**

**Policy Lead for Finance and Commercial Services - Councillor Gary Mulvaney**

For further information contact Anne Blue, Head of Financial Services  
[anne.blue@argyll-bute.gov.uk](mailto:anne.blue@argyll-bute.gov.uk)

Appendix 1 - Audit Scotland Local Government in Scotland Financial Bulletin 2022-23.

Local government in Scotland

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# Financial bulletin

## 2022/23



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
January 2024



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## **Accessibility**

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

For information on our accessibility principles, please visit: [www.audit-scotland.gov.uk/accessibility](http://www.audit-scotland.gov.uk/accessibility).

# Key messages

## Funding and outturn in 2022/23

- 1** Despite councils receiving more funding and income in cash terms, due to high inflation in 2022/23 total revenue funding from all sources fell by £619 million (2.8 per cent) in real terms to £21.3 billion compared to 2021/22.
- 2** Councils received more core revenue funding from the Scottish Government than in 2021/22, rising from £12.1 billion to £12.2 billion (0.7 per cent) in real terms. However, an increasing proportion is ring-fenced or provided with the expectation it will be spent on specific services. This means that the amount of funding available for councils to spend freely on local priorities is reducing. There are commitments in the Verity House Agreement to move to a default position of removing ring-fencing or direction of funding wherever possible.
- 3** There is pressure on all public-sector capital budgets, and this presents risks to the viability of local government capital programmes, many of which impact on key services (eg, the construction and maintenance of schools, libraries, roads). Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic and has been volatile over the past decade. Driven by increased borrowing councils' capital expenditure increased in 2022/23 by 16 per cent in cash terms to £3.6 billion. Borrowing costs have reduced in recent years as many councils have used permitted financial flexibilities to reprofile debt payments. While helping with immediate budget pressures, these decisions defer costs to later years and do not tackle the underlying challenges to financial sustainability. Additional borrowing also places further pressure on revenue budgets over the longer term.
- 4** At the time of setting their 2022/23 budgets, councils anticipated budget gaps of over £476 million for the year, higher than the previous year. Councils are increasingly having to rely on savings and reserves to balance budgets. Achievement of savings targets was good in 2022/23 and improved on 2021/22. Greater transparency is required in the reporting of financial outturn in council accounts, including savings performance. This transparency and timely public engagement are essential as councils make increasingly difficult decisions to reduce or stop services to help balance budgets.



## Councils' financial position and outlook from 2023/24

- 5** Despite the financial pressures of recent years, half of councils increased their usable reserves in 2022/23, and overall usable reserves grew to £4.45 billion. This is driven by growth in committed reserves. Some of this is remaining Covid-19 funding, some is attributable to the permitted use of financial flexibilities for the repayment of longer-term debt but there are also indications councils are building up reserves to manage the known financial challenges in future years. However, the lack of transparency in some councils' annual accounts makes it difficult to draw firm conclusions on councils planned use of reserves.
  - 6** Local appointed auditors did not identify any councils in Scotland as being financially unsustainable in the short term. However, the financial outlook is extremely challenging with Scottish councils facing unprecedented financial and service demand pressures which present real risks for the future. Although Scottish Government core funding increased in cash and real terms in 2023/24, councils reported a significant increase in the total budget gap to £725 million.
  - 7** Councils' medium- and longer-term financial plans demonstrate a clear recognition of the difficult financial context and the need to continue to innovate at pace and make difficult decisions to become more financially sustainable. But some councils are already experiencing significant resistance when seeking to make service reductions to balance budgets. This reinforces the need for effective consultation and engagement with communities on planned local service changes.
  - 8** The Verity House Agreement includes a commitment to offer councils longer-term funding and greater local financial flexibility. These proposed changes will be important, in providing greater financial certainty to support better long-term planning and more flexible direction of resources to meet local need. However, the recent announcement of a proposed council tax freeze significantly reduces discretion and flexibility at individual council level. The impact this will have on financial sustainability is not yet known, but councils have placed an increased reliance on raising council tax to help deliver a balanced budget over the past two years.
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# Recommendations

## Councils should:

- Prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability ([paragraph 29](#)).
- Ensure that management commentaries are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets ([paragraph 46](#)).
- Provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability ([paragraph 55](#)).
- Ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget ([paragraph 73](#)).
- Strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability ([paragraph 83](#)).
- Work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years ([paragraph 89](#)).

# About this report

**1.** This bulletin provides a high-level independent analysis of the financial performance of councils during 2022/23. The bulletin considers:

- councils' funding and expenditure in 2022/23
- councils' financial position at the end of 2022/23 and the financial outlook
- some of the potential impacts of the Verity House Agreement (New Deal with Local Government) made between COSLA and the Scottish Government in June 2023.

**2.** This bulletin is part of a series of outputs produced by the Accounts Commission which together provide an independent overview of the local government sector. In Spring 2024 we will publish a budget briefing examining the 2024/25 budgets set by councils, including analysis of anticipated budget gaps and actions to set a balanced budget.

## Methodology

**3.** Our primary sources of information for this bulletin are councils' 2022/23 accounts, a data request issued to auditors in October 2023 and Scottish Government budget documents.

**4.** The analysis of accounts is based on audited accounts where available. As at our 6 November 2023 deadline, 18 councils' accounts were still to be certified; therefore, the analysis in this bulletin is based on 14 sets of audited accounts and 18 sets of unaudited accounts.

**5.** We received 30 data requests back from auditors. In places our analysis is therefore based on a sample rather than the full population. Returns were not received for two councils.

**6.** Scottish Government funding analysis uses the spring revision funding position unless otherwise stated.

**7.** When looking at trends, we convert some financial data to real terms using GDP deflators. This adjusts financial information from past and future years to prices for the year under review, ie 2022/23. This is to take account of inflation so that the trend information is comparable. Any financial trend data (both capital and revenue) relating to funding, income or expenditure will be shown in real terms. The exception to this is that any financial information from the councils' accounts' balance sheet remains in cash terms, even when looking at a trend. This includes reserves, debt and borrowing. These are not adjusted to real terms as they are already subject to revaluation to reflect current prices.

# 1. Funding and outturn

## Revenue funding and income

### Total funding and income fell by 2.8 per cent in real terms in 2022/23 compared to the previous year

8. In 2022/23, Scotland's 32 councils received a total of £21.3 billion in revenue funding and income (funding for day-to-day spending). In cash terms this is £757 million more than the year before but in real terms (that is adjusting for inflation) it represents a real-terms decrease of 2.8 per cent (£619 million).

9. Revenue funding and income comes from a variety of sources. Almost 60 per cent of total revenue funding comes from the Scottish Government ([Exhibit 1](#)).

## Exhibit 1.

### Sources of funding and income 2022/23 compared to 2021/22, real terms (£ billion)

2021/22	2022/23		2021/22	2022/23
		Interest receivable	0.03	<b>0.11</b>
		Housing Revenue Account rents	1.42	<b>1.36</b>
		Customer and client receipts	1.85	<b>1.82</b>
		Council tax	2.82	<b>2.75</b>
		Grants including Scottish Government and other sources	4.01	<b>3.56</b>
		Non-domestic rates	2.23	<b>2.77</b>
		Cost of living award grant	0.00	<b>0.28</b>
		General revenue grant Covid-19 funding	0.55	<b>0.00</b>
		General revenue grant	9.09	<b>8.72</b>
<b>Total funding and income (£ billion)</b>			22.00	<b>21.38</b>

Source: Councils' annual accounts 2022/23 (audited and unaudited) and 2021/22 (audited)

**10.** The source of the largest increase in funding was non-domestic rates, although levels are still below pre-pandemic levels ([Exhibit 16, page 28](#)).

**11.** The largest decreases were to grants, which fell by 11 per cent in real terms compared to 2021/22, and housing rents which, despite a cash increase of 2.3 per cent, fell by 4.1 per cent in real terms.

**12.** Council tax is an important source of income for councils, accounting for 13 per cent (£2.7 billion) of total funding in 2022/23. Councils received more income from council tax, due to an overall increase of 4.5 per cent in the amount of council tax billed and an increase in in-year collection rates of 0.5 per cent (from 95.7 per cent to 96.2 per cent). However, the amount received has not kept pace with inflation and in real terms this represents a fall in income of 2.5 per cent compared to 2021/22.

### **Core revenue funding from the Scottish Government to councils increased in cash and real terms from 2021/22 to 2022/23**

**13.** Scottish Government core revenue funding to councils amounted to £12.2 billion in 2022/23. This is an increase to core funding in both cash and real terms from the previous year ([Exhibit 2](#)).

## **Exhibit 2.**

### **Scottish Government core revenue 2021/22 and 2022/23**

Scottish Government revenue funding	Cash terms			Real terms		
	2021/22 £ million	2022/23 £ million	change %	2021/22 £ million	2022/23 £ million	change %
<b>Core revenue</b>	<b>11,384</b>	<b>12,231</b>	<b>7.4%</b>	<b>12,144</b>	<b>12,231</b>	<b>0.7%</b>
General revenue grant	8,489	8,679	2.2%	9,056	8,679	-4.2%
Non-domestic rates	2,090	2,766	32.3%	2,230	2,766	24.1%
Specific revenue grants	805	786	-2.4%	859	786	-8.5%

Source: Scottish Government budget documents (spring revision)

**14.** The increase in core revenue funding was driven by a significant increase in income from non-domestic rates. The general revenue grant and specific revenue grants both fell in real terms.

**15.** In 2021/22, councils received an additional £0.5 billion in non-recurring revenue funding from the Scottish Government to support their Covid-19 response. When this is included, councils experienced a real terms reduction of 3.6 per cent in revenue funding from the Scottish Government in 2022/23 compared to 2021/22. In 2022/23,

a one-off grant of £278 million was received by councils, to distribute the £150 Cost of Living Award to eligible households.

### **An increasing proportion of Scottish Government funding is formally ring-fenced or provided with the expectation it will be spent on specific services**

**16.** Specific revenue grants funding totalled £786 million in 2022/23 and must be used to fund specific policies or initiatives such as for early learning and childcare expansion and the pupil equity fund.


**17.** In addition to specific revenue grants, other funding received by councils is directed for national policy initiatives. Though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

**18.** Examples of directed funding in 2022/23 include: £140 million for Local Government pay deals, £145 million for additional teachers and support staff and £234 million for the annual pay uplift to social care staff in commissioned services.

**19.** We calculate that ring-fenced and directed funding increased to 25.7 per cent in 2022/23 ([Exhibit 3](#)).

## **Exhibit 3.**

### **Proportion of Scottish Government funding to local government that is ring-fenced or directed**

 Source	2021/22 £ million	2022/23 £ million
<b>From initial allocation</b>		
Specific revenue grant	805	786
Directed funding within general revenue grant	347	475
Directed funding from transfers from other portfolios	488	648
<b>From in year allocations</b>		
Directed funding from budget revisions and recalculations	1,061	1,236
<b>Total ring-fenced or directed funding</b>	<b>2,701</b>	<b>3,145</b>
<b>Total revenue funding</b>	<b>11,384</b>	<b>12,231</b>
<b>Percentage ring-fenced or directed</b>	<b>23.7%</b>	<b>25.7%</b>

Note: We have updated our methodology from last year. This changes the total ring-fenced amount for 2021/22 from 23.1% to 23.7%.

Source: Scottish Government budget documents and financial circulars

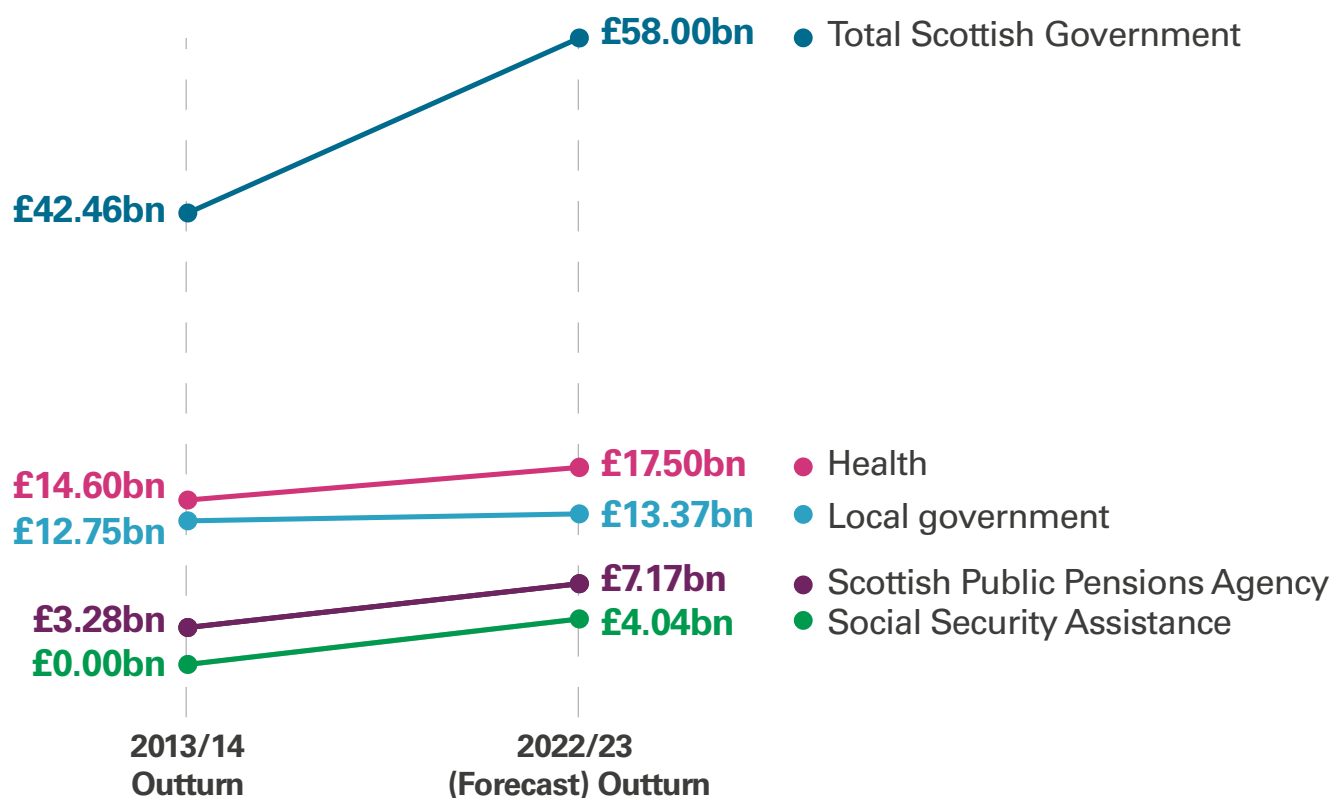
**20.** While directed funding is important to help deliver national priorities, it restricts councils from making decisions about how funds can be used at a local level to meet local need. The Verity House Agreement, signed in June 2023, includes a commitment to a default position of ending ring-fencing or directed funding unless there is a clear joint understanding of the rationale for such arrangements. We discuss this further in [Part 2](#) of the report.

### Over the last decade, the proportion of the Scottish Budget allocated to local government has been reduced

**21.** Local government is the second largest area of Scottish Government spending; however, this proportion has reduced over the last decade. In 2013/14 local government (capital and revenue) accounted for 30 per cent of the total spend. In 2022/23, it had fallen to 23 per cent. Over this period, local government spend has been relatively static in real terms while total Scottish Government spend increased by 37 per cent. Areas of growth include health and social security ([Exhibit 4](#)).

## Exhibit 4.

### Local government spend (outturn) compared to other areas of the Scottish Budget, 2013/14 to 2022/23, real terms



Source: Scottish Budget 2023/24, Annex D: Outturn Comparison 2013/14 to 2021/22 and Scottish Budget 2024/25, Annex H: Outturn Comparison 2014/15 to 2022/23

## Council budget-setting

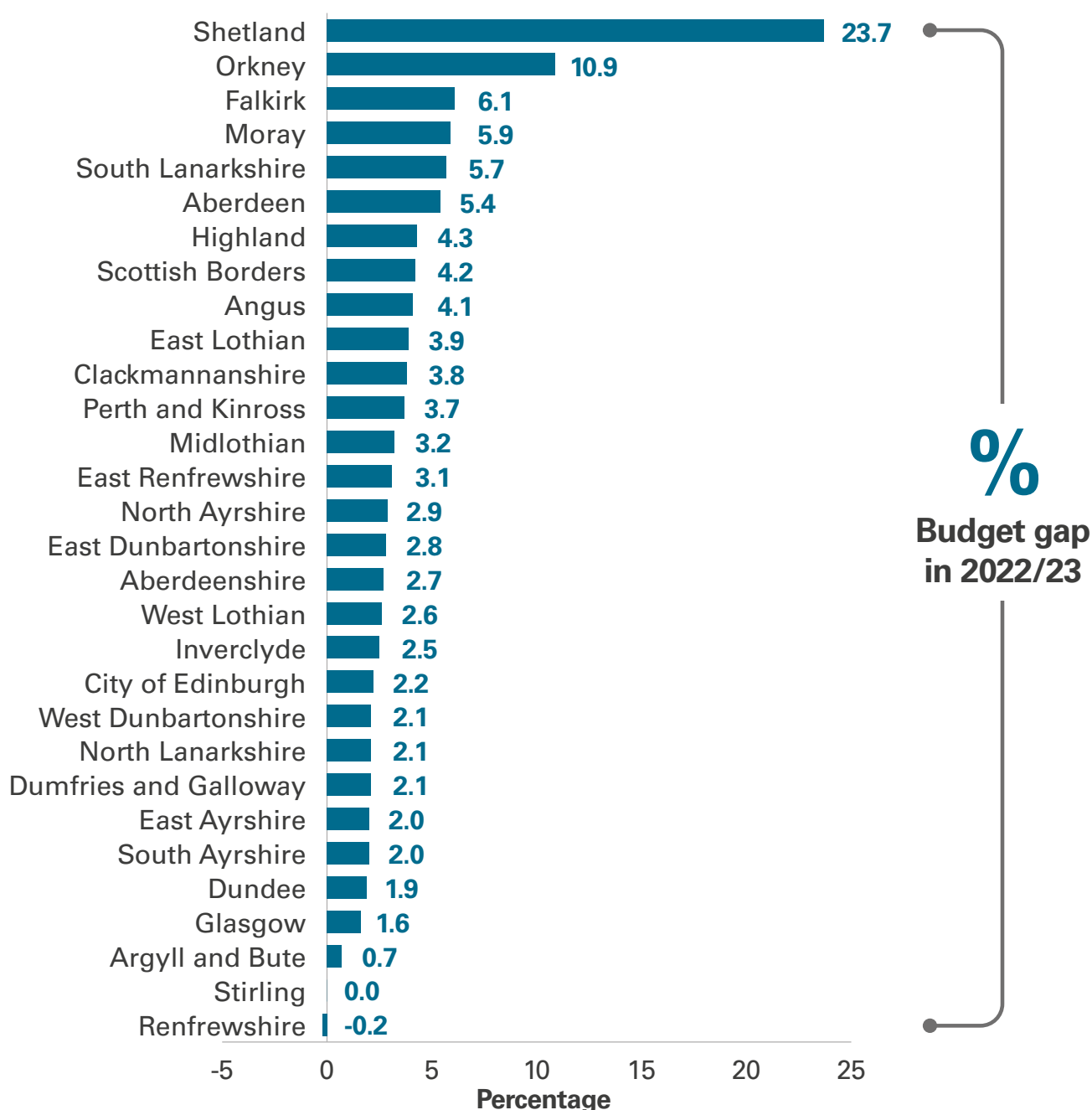
**At the time of setting their 2022/23 budgets, councils in our sample identified budget gaps of over £476 million for the year**

**22.** At the time of budgeting, the 30 councils in our sample identified **budget gaps** totalling £476 million for 2022/23, compared to £350 million for the same sample of councils for 2021/22. This represents a budget gap of 2.9 per cent of the net cost of services ([Exhibit 5](#)).

**Budget gaps** reflect a point in time when councils begin to set their budgets and is the difference between anticipated expenditure and funding and income.

## Exhibit 5.

### Budget gap as a percentage of net cost of services, 2022/23



Source: Auditor data returns (30 councils in the sample)

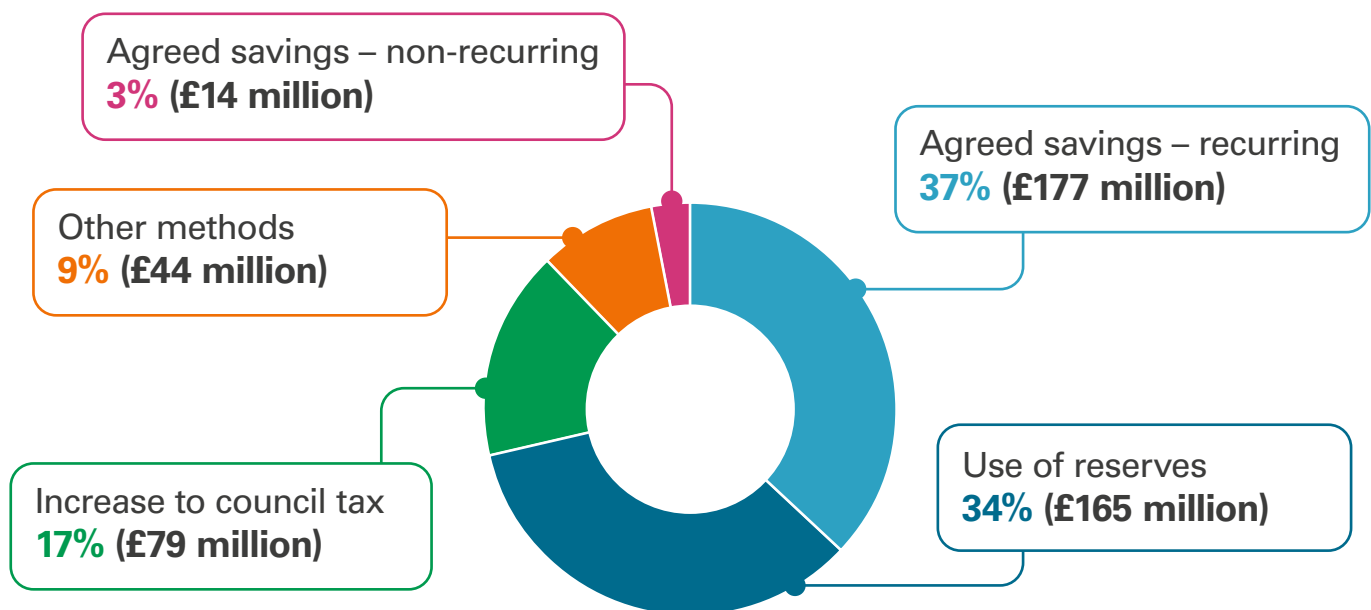


**23.** Within our sample, the budget gap for 2022/23 ranged from a surplus of £1.1 million (0.2 per cent of net cost of services) in Renfrewshire to a gap of £53 million (5.7 per cent net cost of services) in South Lanarkshire. Shetland had the largest budget gap as a proportion of net cost of services, at 23.7 per cent (with a value of £34 million). One council, Stirling, reported no budget gap.

### Councils largely relied on reserves and making recurring savings to deliver a balanced budget

**24.** From our sample of 30 councils, a range of bridging actions were used to set balanced budgets for 2022/23 ([Exhibit 6](#)).

## Exhibit 6. Councils' bridging actions to set their 2022/23 budget



Note: The chart elements add up to £479 million which is higher than the total anticipated budget gap. This is because Dundee identified bridging actions of greater value than their budget gap to allow for additional expenditure in priority areas.

Source: Auditor data returns (30 councils in the sample)

**25.** Use of reserves and making **recurring savings** were expected to bridge 71 per cent (£342 million) of the budget gap. The relative use of reserves to bridge the budget gap has doubled from 17 per cent in 2021/22 to 34 per cent in 2022/23.

**26.** Examples of other bridging actions include the use of:

- fiscal flexibilities for service concessions and capital receipts
- additional Scottish Government funding
- increased service charges
- non-recurring Covid-19 funding
- a reduction in IJB funding.

These actions are largely non-recurring and therefore not sustainable.

## Outturn

### **Achievement of savings targets was high, but improvements are required in the transparency of reporting**

**27.** From our sample of 30 councils, the aggregate savings target for 2022/23 was £216 million.<sup>1</sup> Three councils did not have a savings target.

**28.** Twenty-five councils provided information about savings performance in 2022/23. Fourteen councils (56 per cent) achieved their savings target in full or more and a further eight councils (32 per cent) achieved over 80 per cent. Overall, 98 per cent of the aggregate savings target was met. This compares to 92 per cent across all councils in 2021/22 ([Exhibit 7, page 14](#)).

**29.** Where we have a breakdown of how savings were achieved, 82 per cent (£126 million), were achieved on a recurring basis, which is higher than the 76 per cent achieved across all councils in 2021/22.

### **Recommendation**

**Councils should prioritise the achievement of recurring savings and avoid reliance on non-recurring savings to enhance longer-term financial sustainability.**

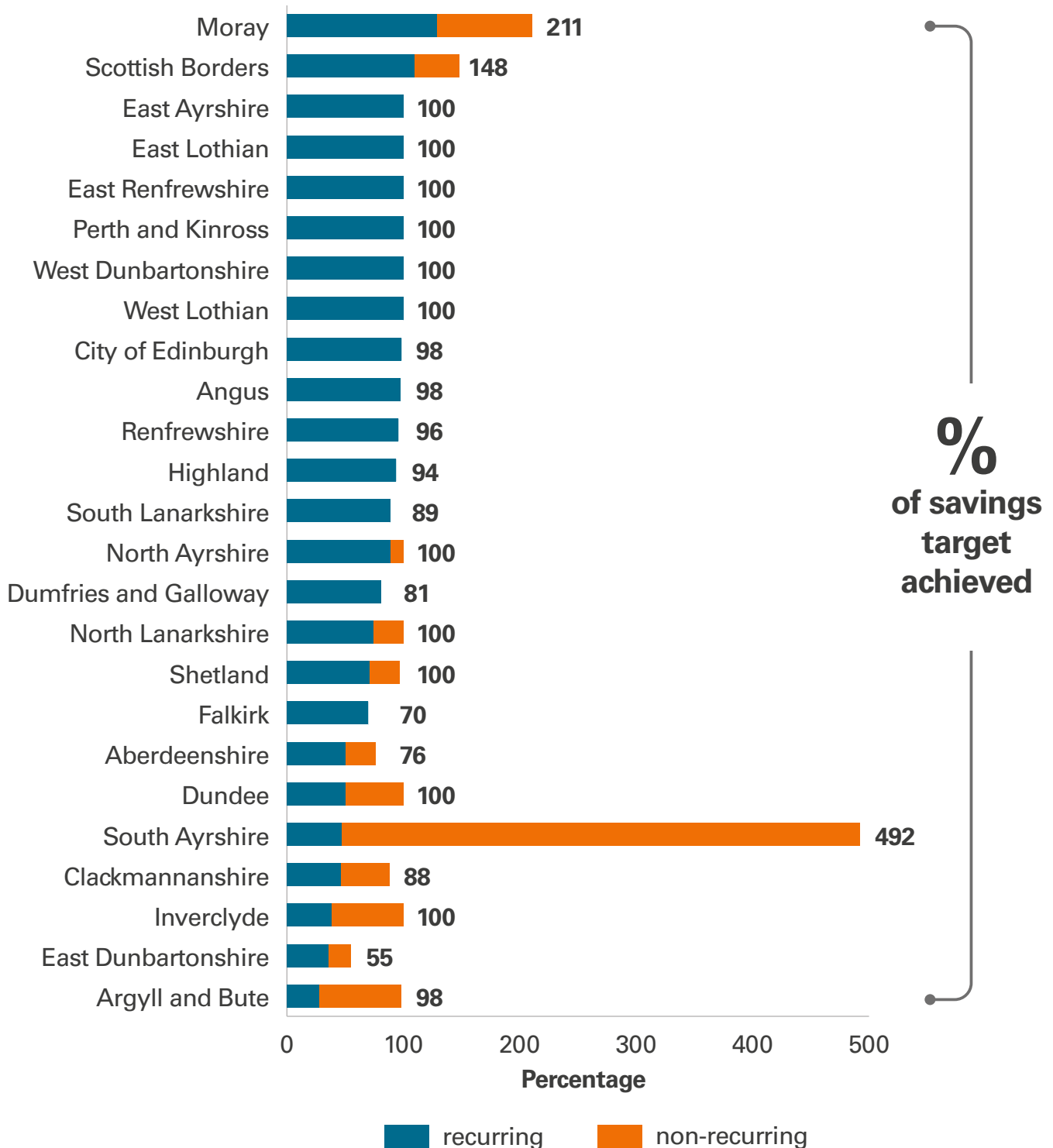


**Recurring savings** are savings, that once achieved, recur year-on-year from that date. Non-recurring savings are one-off savings that apply to one financial year and do not result in ongoing savings in future years.

<sup>1</sup> This savings target does not match the planned savings (recurring and non-recurring combined) identified as bridging actions in Exhibit 6. Savings identified during budget setting may be further revised before a savings target is agreed.

## Exhibit 7.

### Percentage of savings target achieved, split by recurring and non-recurring, 2022/23



Note: Information on the split of savings achieved was not available for Dundee. South Ayrshire's savings performance was 492% due to a large (non-recurring) underspend. Five councils within the sample are not included in the chart: Midlothian, Orkney and Stirling did not have a savings target in place for 2022/23. Information on savings performance was not available for Glasgow and Aberdeen.

Source: Auditor data returns (30 councils in the sample)

**30.** A review of councils' management commentaries identified that 66 per cent of council accounts provided no or insufficient commentary on performance against savings targets. Further detail on the transparency of management commentaries is included at [paragraphs 44–46](#)).

### Over half of councils used financial flexibilities in 2022/23

**31.** In recent years, the Scottish Government has introduced a number of financial flexibilities to help alleviate ongoing financial and funding pressures.

**32.** The three main flexibilities available are:

- The use of capital receipts for revenue costs.
- The ability to apply for revised loans repayments.
- Changes to service concession arrangements which allow councils to write off the debt costs associated with these schemes over the expected lives of the respective assets rather than over the contract period of each arrangement.

**33.** Of our sample of 30 councils, 18 (60 per cent) reported that they used some of the financial flexibilities allowed by the Scottish Government in 2022/23.

**34.** Using flexibilities to meet immediate spending pressures may help councils to balance their budgets, but it defers costs to later years and does not tackle the underlying challenges to financial sustainability.

## Capital funding and expenditure

### Increases in capital expenditure were driven by increased borrowing

**35.** Councils' **capital expenditure** in 2022/23 was £3.6 billion. This is a 16 per cent (£0.5 billion) increase in cash terms compared to 2021/22.

**36.** The increase in capital expenditure in 2022/23 was driven by a 52 per cent increase in borrowing. At £1.41 billion, this was the largest source of capital financing, surpassing government grants which accounted for £1.35 billion of capital expenditure. The higher costs associated with borrowing place further pressure on revenue budgets over the longer term ([Exhibit 8, page 16](#)).

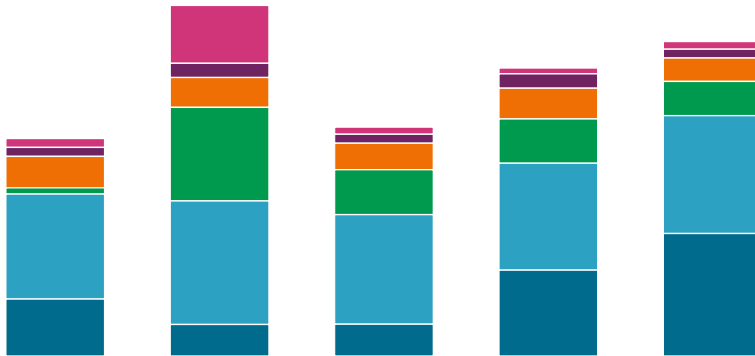
**37.** Twenty-two councils reported higher capital expenditure than in 2021/22. At a council level, year-on-year movement ranged from a £207 million increase (Glasgow) to a £54 million decrease (Angus).



**Capital expenditure** is the money spent by councils to maintain or improve their assets, for example school buildings and roads. It cannot be used on day-to-day running costs.

## Exhibit 8.

### Capital expenditure split by sources of finance in cash terms, 2018/19 to 2022/23 (£ billion)



2018/19	2019/20	2020/21	2021/22	2022/23	
0.09	0.60	0.07	0.06	0.09	Capital receipts
0.09	0.15	0.09	0.15	0.10	Other contributions and Public Private Partnership (PPP)
0.32	0.31	0.28	0.33	0.27	Capital Funded from Current Revenue (CFCR)
0.06	0.96	0.47	0.48	0.39	Internal loans fund repayments available to reinvest
1.06	1.27	1.15	1.15	1.35	Government grants
0.57	0.32	0.33	0.92	1.41	An increase in borrowing
<b>2.18</b>	<b>3.61</b>	<b>2.41</b>	<b>3.10</b>	<b>3.61</b>	<b>Total expenditure (£ billion)</b>

Source: Councils' annual accounts 2018/19 to 2022/23 (audited and unaudited)

**38.** Slippage against capital projects was noted by auditors in some Annual Audit Reports for 2022/23. Factors included higher costs for goods and services including utilities, fuel and labour; and wider economic circumstances including inflation, war, Covid-19, interest rates and pay awards.

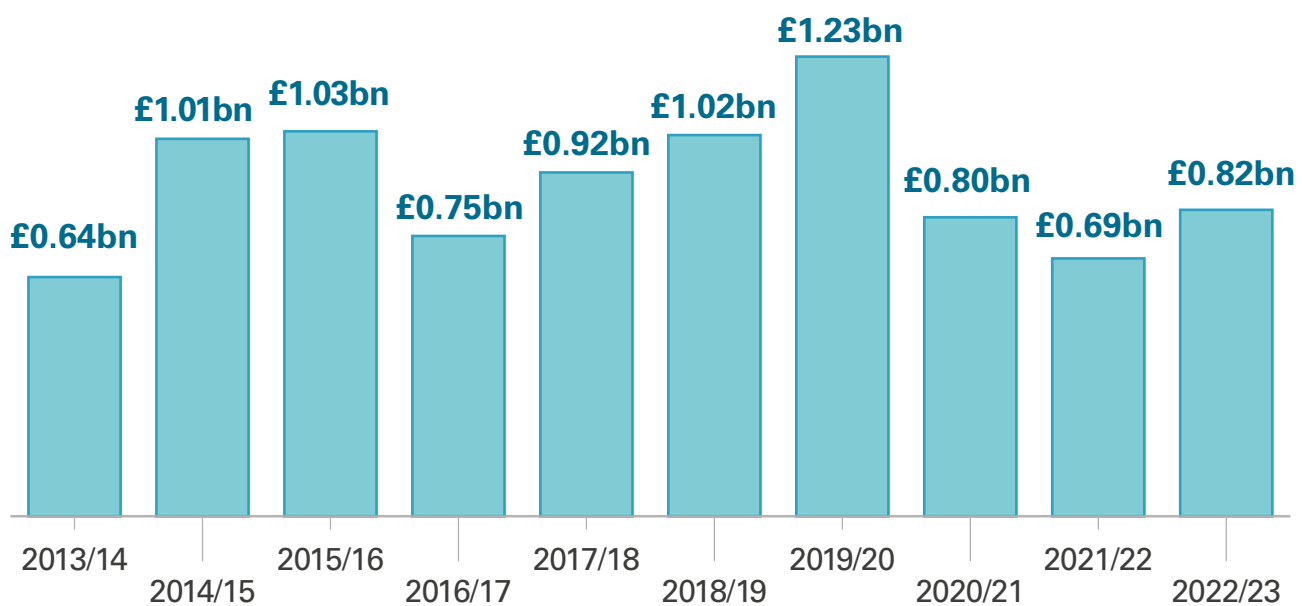
#### Capital funding from the Scottish Government rose in 2022/23 but remains lower than before the pandemic

**39.** Councils receive capital funding from the Scottish Government in the form of the capital grant, distributed by means of a funding formula based largely on population and road-length.

**40.** In 2022/23 capital funding from the Scottish Government rose by 19 per cent in real terms to £0.82 billion compared to 2021/22. However, it remains lower than many of the years leading up to the Covid-19 pandemic ([Exhibit 9](#)).

## Exhibit 9.

### Scottish Government capital funding to local government 2013/14 to 2022/23, real terms



Source: Scottish Government budget documents (spring revision)

**41.** Some capital funding is directed towards specific policies. For example, in 2022/23 around £120 million was allocated to support the local government pay deal in 2022/23 and £30 million to fund expansion of free school meals.

**42.** Scottish Government capital funding is volatile. Some of the more significant movements can also be attributed partly to reallocation of capital funding payments from one financial year to another, as agreed between the Scottish Government and COSLA. For example, the 2016/17 figure excludes £150 million that was reallocated and included in the 2019/20 capital settlement.

## Reporting on financial outturn in management commentaries

### Councils could improve the transparency of their reporting on financial outturn and progress against savings plans

**43.** A management commentary is a report by the council, set out within its annual accounts. It should provide information on the council's strategic priorities and key risks, as well as a balanced analysis of the financial and wider performance of the council over the year.

We undertook a review of councils' management commentaries to assess the transparency of their reporting against three elements that the Accounts Commission has previously recommended should be included:

- Is the outturn against budget position for the year clearly shown with the reasons for significant variances obvious?
- Is the outturn reported in the narrative reconciled to the movement in the general fund contained in the financial statements and major differences explained?
- Is progress against agreed savings reported?

**44.** Twenty councils included commentary related to outturn against budget including the main reasons for the variances. Of the remaining, nine provided insufficient detail or no commentary on variances and three lacked clarity on the outturn against budget.

**45.** Half of councils provided a table within the management commentary which showed the reconciliation of outturn to the movement on the general fund. Of the remaining, 12 did not provide sufficient detail within the management commentary to demonstrate a reconciliation of the general fund against reserves and four did not provide any information.

**46.** Eleven councils outlined progress against savings targets to some extent, with some providing a table of savings performance trends and/or links to other documents. Of the remaining, 12 provided generic statements or insufficient detail, seven provided no information and two referred only to previous or future savings plans.

### Recommendation

**Councils should ensure that management commentaries are open and transparent, include a clear link between budget outturn and the financial performance in the accounts and report on the achievement of planned savings targets.**

# 2. Councils' financial position and outlook

## 2022/23 financial position

**In 2022/23, councils increased their total usable reserves by £0.31 billion to £4.46 billion**

**47.** Reserves play an important role in good financial management of councils. They may be used to invest in a major project, transform services or respond to unexpected events. Reserves are a one-off resource, so councils need to plan carefully for their use. In doing so, they should consider the strategic, operational, and financial risks facing the council.

**48.** In 2022/23, councils increase their total usable reserves by £0.31 billion, from £4.15 billion to £4.46 billion ([Exhibit 10, page 20](#)).

**49.** Revenue reserves increased by 2.2 per cent (£80 million) and capital reserves increased by 40 per cent (£232 million). The increase in capital reserves may be linked to slippage against capital projects ([paragraph 38](#)).

**50.** Half of councils increased their usable reserves in 2022/23. A review of management commentaries for those councils with the greatest increases found these were largely attributable to accounting adjustments related to the permitted use of financial flexibilities for the repayment of longer-term debt. Some councils are also committing reserves to contingency or financial sustainability funds to cushion the impact of known financial challenges in the years ahead or to help fund transformation, potential workforce reconfiguration or pay settlements.

**The level of reserves as a proportion of total net revenue expenditure is higher in 2022/23 than before the pandemic**

**51.** In 2022/23, the total usable reserves across all councils as a proportion of total net revenue expenditure was 27.3 per cent compared to 20.4 per cent in 2019/20 before the pandemic ([Exhibit 11, page 21](#)).

**52.** In 2022/23, no council had usable reserves that were less than ten per cent of net revenue expenditure compared to four councils in 2019/20. Twenty councils had reserves that were over 20 per cent of net revenue expenditure, compared to nine in 2019/20.

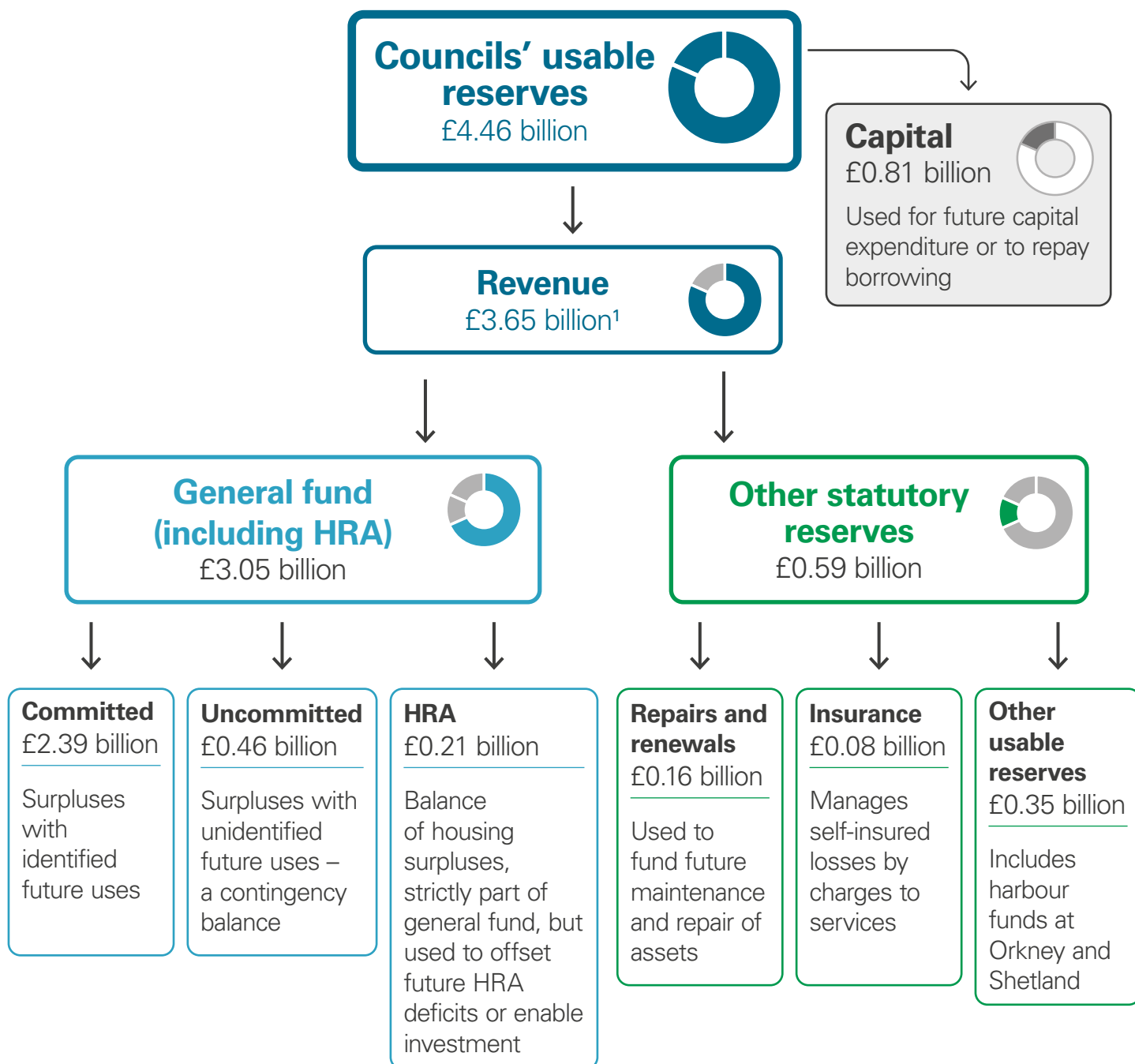


Looking at the level of **reserves as a proportion of total net revenue expenditure** is one way of assessing financial sustainability. A low figure may suggest that a council will struggle financially if it experiences a financial shock or is unable to deliver a budget where income matches expenditure.



## Exhibit 10.

### The nature and value of councils combined usable reserves, 2022/23

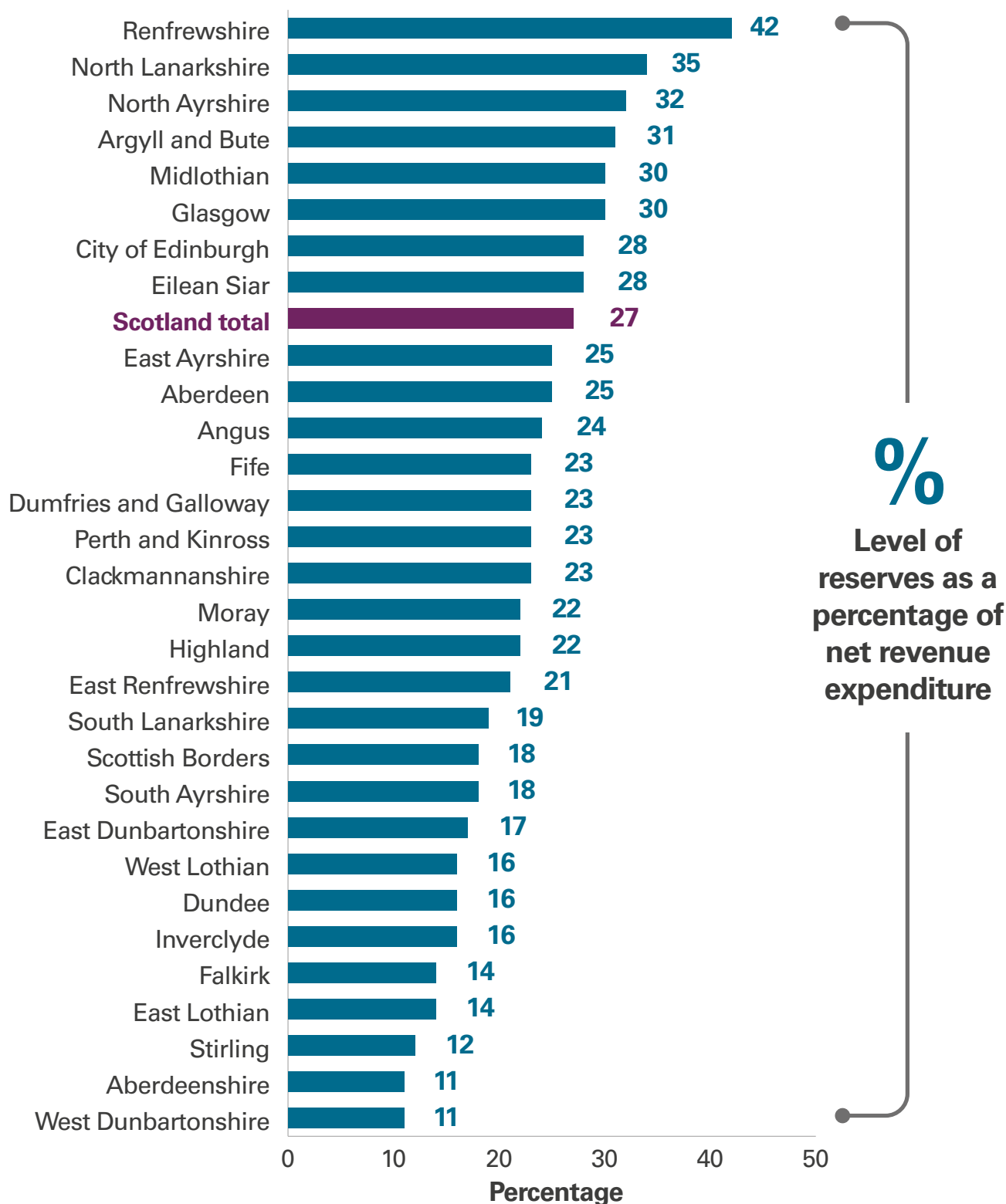


Note 1. Total figure doesn't match subtotals due to rounding.

Source: Councils' annual accounts 2022/23 (audited and unaudited)

## Exhibit 11.

### Level of usable reserves as a proportion of net revenue expenditure, split by council, 2022/23



Note: Orkney and Shetland are excluded from this chart as both hold large reserves (over 200 per cent of net cost of services) related to oil, gas and harbour related activities.

Source: Councils' annual accounts 2022/23 (audited and unaudited)

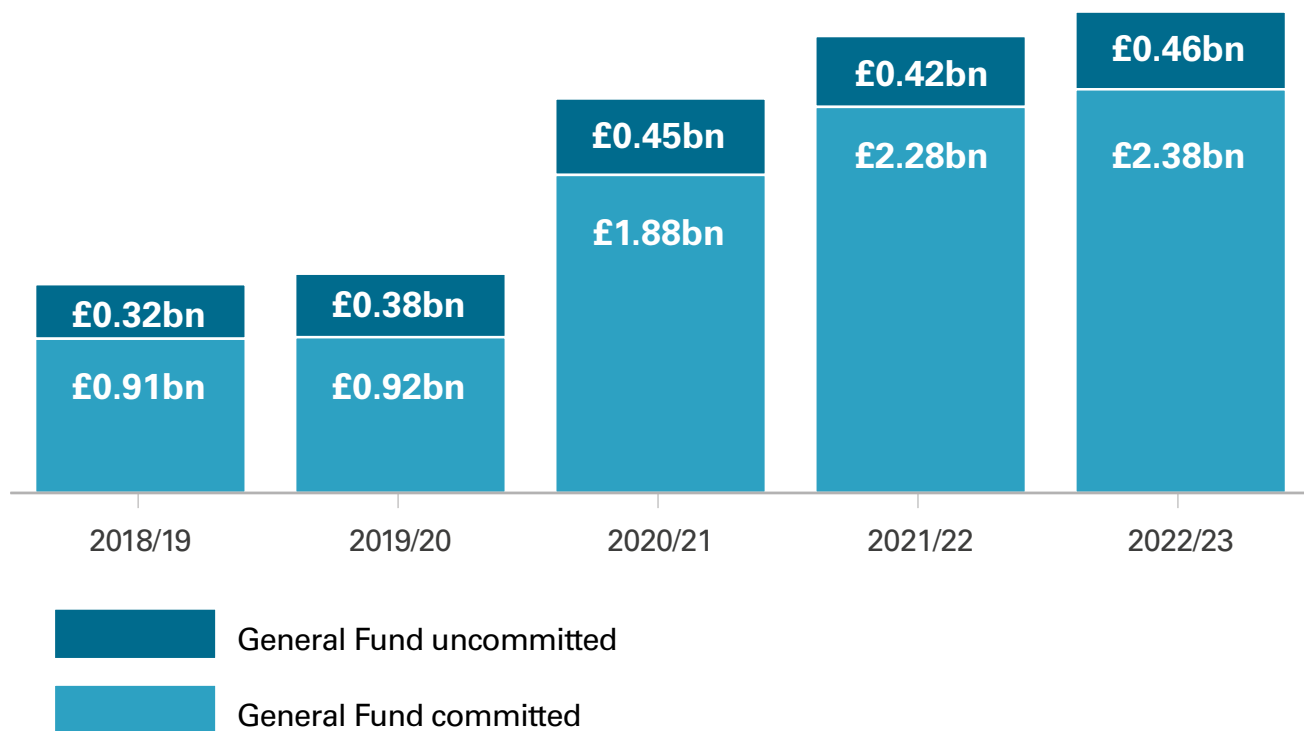
### Councils increased their general fund reserves, but this is driven by growth in committed funds

**53.** In 2022/23, councils increased their total General Fund reserves (excluding any HRA element which not all councils have) by £0.1 billion (4.8 per cent) to £2.84 billion compared to 2021/22.

**54.** Committed funds have increased by £0.1 billion (4.6 per cent) since 2021/22 and by £1.47 billion (159 per cent) since 2019/20 ([Exhibit 12](#)).

## Exhibit 12.

### National General Fund balance, 2018/19 to 2022/23, cash terms



Note: This chart excludes HRA.

Source: Councils' annual accounts (audited and unaudited)

**55. Paragraph 50** outlines some of the reasons for growth in committed funds in the past year. Based on data extracted from 2022/23 accounts, we calculate that remaining Covid-19 funding makes up around nine per cent of the total committed General Fund balance, but it is difficult to provide an exact figure for this and it may actually be higher. The continued lack of consistent transparency and detail in annual accounts around what and when reserves are committed for, and their associated spending plans, makes conclusions in this area difficult to draw.

### **Recommendation**

**Councils should provide clear statements about reserves policy and explicitly set out the purpose of committed reserves within their annual accounts. This will enhance the level of assurance that councils can provide regarding their ongoing financial sustainability.**

### **Some councils hold very low levels of uncommitted reserves but have specific reserves earmarked for contingency instead**

**56.** Councils have reserves policies in place that set out the rationale for the minimum reserves levels set by the council. Most councils plan to maintain uncommitted reserves at around 2 to 4 per cent of net budgeted expenditure as a contingency to respond to unforeseen events and associated cost pressures.

**57.** In 2022/23, five councils had an uncommitted reserve balance below two per cent of net budgeted expenditure. Low levels of uncommitted reserves present a risk as it limits a council's ability to cushion the impact of uneven cash flows, unexpected events or emergencies. However, a review of 2022/23 annual accounts for those with the lowest uncommitted balances found that these were planned decisions with specific reserve funds earmarked for contingency.

### **Councils' total net debt increased by £1 billion (six per cent) between 2021/22 and 2022/23**

**58.** Total net debt (total debt less cash and investments) increased by £1 billion from £16.4 billion in 2021/22 to £17.4 billion in 2022/23 ([Exhibit 13, page 24](#)).

**59.** At a council level, net debt increased in 24 councils between 2021/22 and 2022/23. This compares to an increase in net debt in 15 councils in 2021/22, and eight in 2020/21.

## Exhibit 13.

### Councils' total net debt, 2018/19 to 2022/23



	2018/19	2019/20	2020/21	2021/22	2022/23
Net debt (£ billion)	15.7	17.1	16.2	16.4	17.4
Year-on-year % change		9.1%	-5.3%	1.4%	5.8%

Note: Orkney is excluded from the total net debt analysis as it has net investments.

Source: Councils' annual accounts (audited and unaudited)

**60.** There is significant variation between councils. Some councils have experienced very large increases in their net debt, with the highest increases being in South Ayrshire (29 per cent) and East Dunbartonshire (21 per cent). Both these councils were also among those with the highest increases in the previous year. West Dunbartonshire saw the largest decrease between these years, at seven per cent.

**61.** Glasgow City Council had the highest net debt at £2.1 billion, which represents a 10 per cent increase on the previous year. Shetland had the lowest net debt, but this had increased by 14 per cent compared to the previous year.

**Councils' borrowing costs have reduced over the past nine years. However, decisions to reschedule debt repayment in recent years may create financial pressure in the longer-term**

**62. LGBF financial sustainability data** for 2022/23 shows that the proportion of councils' general fund revenue budget being used to service debt has fallen from 8.4 per cent in 2013/14 to 5.4 per cent in 2022/23.

**63.** A key contributory factor to this has been the decision by councils to re-profile principal repayments over a longer period, in line with 2016 Loans Fund regulations. Some councils also used the financial flexibility afforded by the Scottish Government that permitted a reduction in the statutory repayment of debt in 2020/21, 2021/22 and 2022/23.

**64.** Although borrowing costs have reduced, the long-term affordability of these payments is an important element of councils' financial sustainability. There is a risk that decisions to reschedule debt repayments may add pressure on future budgets as it defers costs to later years and does not tackle the underlying challenges to financial sustainability.



#### Financial sustainability indicators included within the Local Government Benchmarking Framework (LGBF)

consider the affordability of councils' borrowing costs. The ratio of borrowing costs to net revenue budget highlights the revenue implications of existing and proposed capital expenditure. The indicator included in the LGBF identifies the proportion of the general fund revenue budget that is required to meet the cost of borrowing.

## Scottish Government funding for 2023/24

### Revenue funding to local government from the Scottish Government in 2023/24 saw a cash and real-terms increase on 2022/23

**65.** The initial core revenue funding settlement for local government in 2023/24 was £10.9 billion. At the 2023/24 autumn revision, an additional £1.5 billion in general revenue grant funding increased total funding to £12.5 billion. This is a 13.5 per cent increase in cash terms and a 7.0 per cent increase in real terms (in 2022/23 prices) on the 2022/23 position. Almost £1 billion was transferred from health to support social care and integration, over £0.25 billion was additional funding for school staff pay and £0.2 billion was transferred from education. ([Exhibit 14](#)).

## Exhibit 14.

### Scottish Government revenue funding (autumn budget revision), 2023/24 compared to 2022/23, in real terms

Scottish Government revenue funding	Cash terms			Real terms		
	2022/23 £ million	2023/24 £ million	change %	2022/23 £ million	2023/24 £ million	change %
<b>Core revenue</b>	<b>10,999</b>	<b>12,482</b>	<b>13.5%</b>	<b>10,999</b>	<b>11,765</b>	<b>7.0%</b>
General revenue grant	7,458	8,683	16.4%	7,458	8,184	9.7%
Non-domestic rates	2,766	3,047	10.2%	2,766	2,872	3.8%
Specific revenue grants	775	752	-3.0%	775	709	-8.5%

Note: Real terms calculation uses 2022/23 as base year.

Source: Scottish Government budget documents (autumn revision)

**66.** Over the past decade, the total value of specific revenue grants has steadily increased – see [Exhibit 16 \(page 28\)](#) for further details. However, at the latest 2023/24 budget revision (autumn) it decreased in both cash terms and real terms.

### Councils' capital funding allocation for 2023/24 represents a real-terms decrease on 2022/23

**67.** The initial capital funding settlement for local government in 2023/24 was £747 million. At the autumn revision, capital funding was increased to £767 million. This represents a 2.6 per cent fall in cash terms and an 8.2 per cent fall in real terms compared to the same position in 2022/23.

**68.** Some capital funding is directed for specific policies. For example, £50 million capital to help with the expansion of the Free School Meals policy.

**69.** The capital funding outlook for the whole Scottish public sector is challenging and the Scottish Government is currently undertaking a programme of reprioritisation of capital projects. The continued pressure on capital budgets presents risks to local government capital programmes, many of which impact on key services (eg, schools, libraries, roads, etc). However, councils did increase their capital reserves by 40 per cent in 2022/23.

## Councils' budget-setting for 2023/24

### Councils' budget gaps increased significantly in 2023/24 compared to 2022/23

**70.** At the time of budgeting, from our sample of 30 councils, a total budget gap of £725 million was identified for councils' 2023/24 budgets, a significant increase on the £476 million identified in 2022/23. This represents 4.2 per cent of the net cost of services (in real terms) compared to 2.9 per cent in 2022/23.

**71.** All but three councils (East Lothian, Dundee and Highland) in the sample reported a higher budget gap in 2023/24 than 2022/23. The budget gaps for 2023/24 ranged from £5 million in Highland (0.6 per cent of net cost of services) to £77 million in South Lanarkshire (7.8 per cent of net cost of services). The wide range may be in part due to different approaches to budgeting rather than significant differences in cost and service pressures.

**72.** The most common bridging actions taken to set balanced budgets in 2023/24 were recurring savings (33 per cent), the use of reserves (27 per cent) and increases to council tax (18 per cent) ([Exhibit 15, page 27](#)).

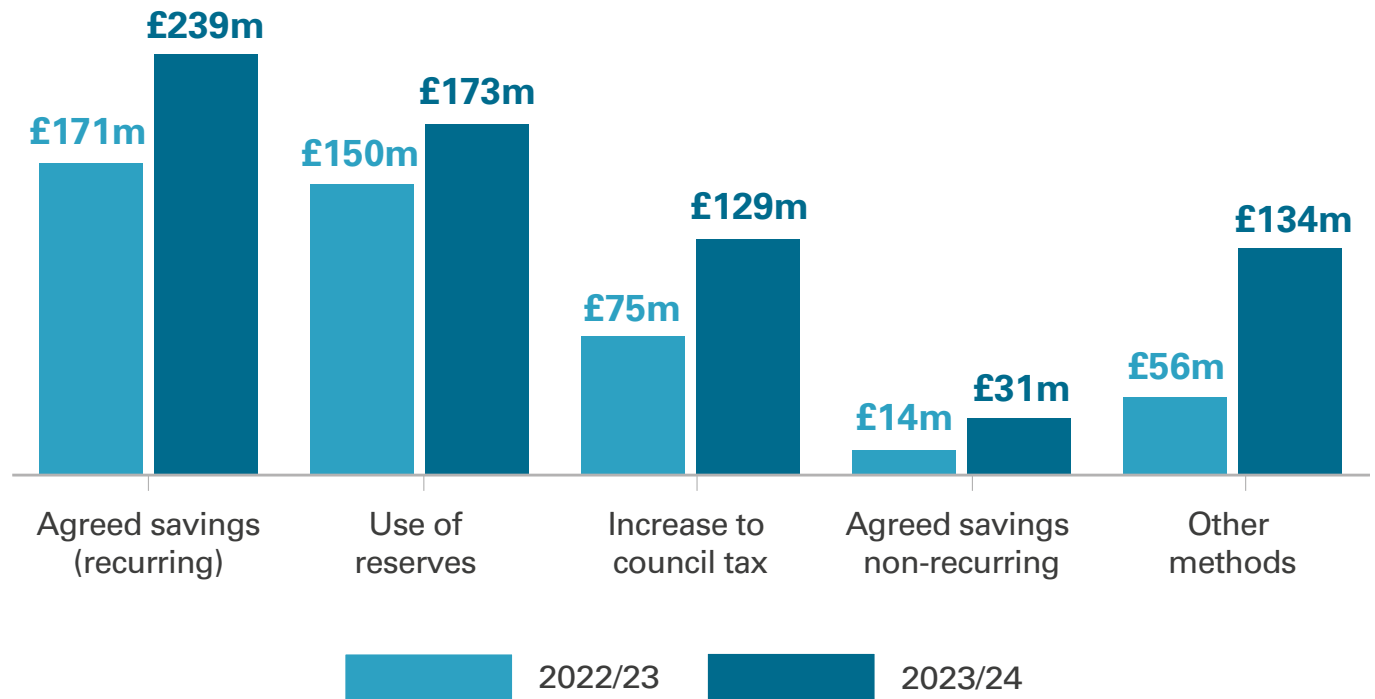
**73.** Some councils have already taken difficult decisions to address budget gaps through implementation of recurring savings options. However, in the face of public opposition, some councils have reversed decisions that related to the reduction or cessation of services as part of savings put forward for 2024/25. This illustrates the increasing challenges that councils are facing in delivering balanced budgets and highlights the need for proper and timely consultation over budget proposals.

## Recommendation

**Councils should ensure effective and timely consultation and engagement with communities on the options that must be considered to achieve a balanced budget.**

## Exhibit 15.

### Councils' bridging actions to set their 2023/24 budget compared to 2022/23



Note: The chart elements for 2023/24 add up to £733 million which is higher than the total anticipated budget gap for 2023/24. This is because Dundee and North Lanarkshire reported bridging actions of greater value than their budget gap.

Source: Auditor data returns (30 councils in the sample)

## Financial sustainability

**In real terms, councils' core revenue funding is similar to levels a decade ago. However, over that time, councils' have experienced periods of reduced budgets and increasingly ring-fenced funding**

**74.** The £12.2 billion core allocation received by councils in 2022/23 compares to a real-terms value of £12.1 billion in 2013/14, a 1.3 per cent increase ([Exhibit 16, page 28](#)).

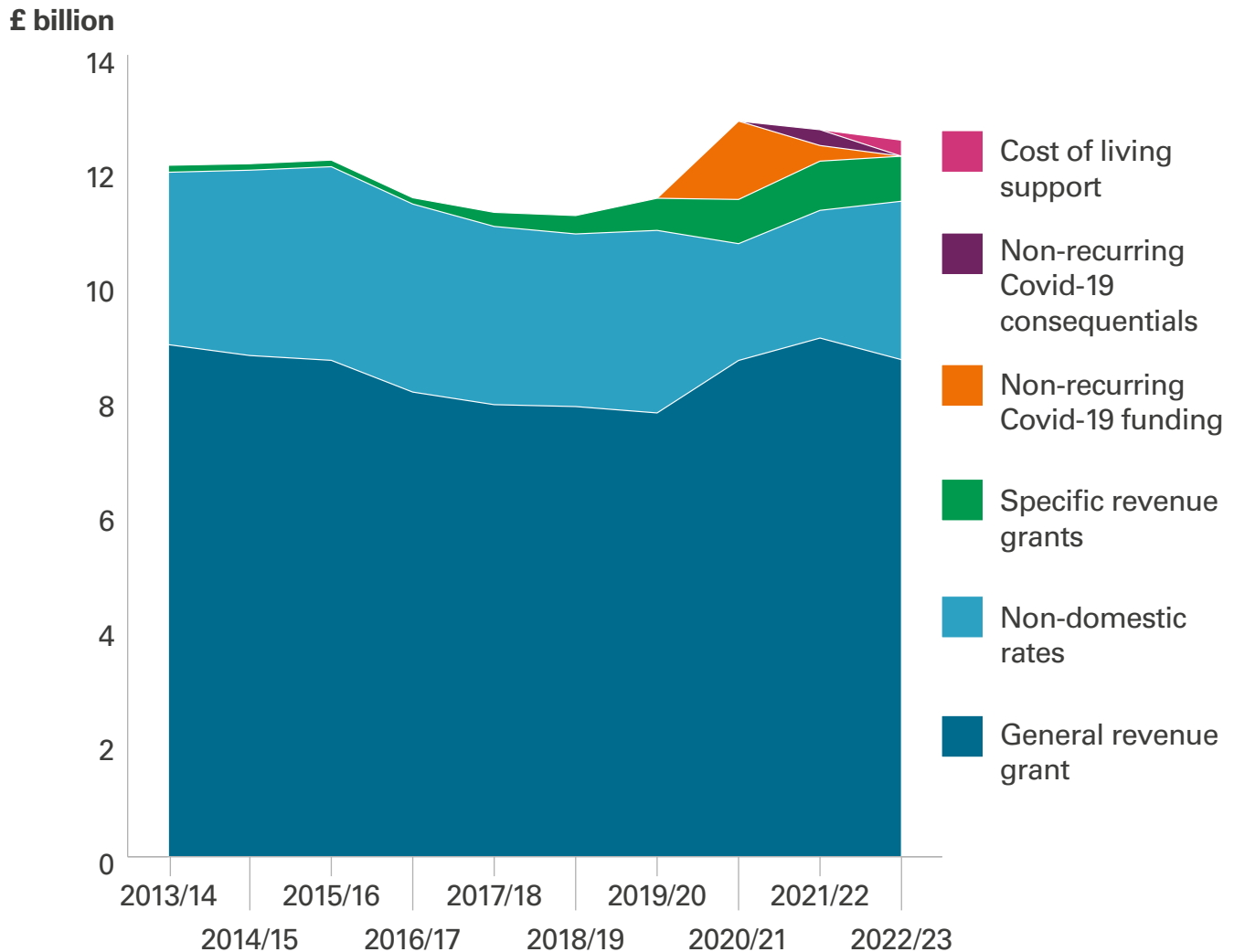
**75.** Over this period, in real terms the general revenue grant decreased year-on-year until 2020/21 and non-domestic rates also fell over the same period. During the pandemic, councils received additional core and specific non-recurring Covid-19 funding.

**76.** In real terms, the general revenue grant in 2022/23 is 2.9 per cent (£262 million) lower than in 2013/14 and income from non-domestic rates is 8.1 per cent (£244 million) lower.



## Exhibit 16.

### Scottish Government revenue funding to local government, real terms, 2013/14 to 2022/23



Source: Scottish Government budget documents (spring revision) for 2014/15 to 2022/23 and actual figures for 2013/14 (from 02/2014 circular) as budget documents were not available

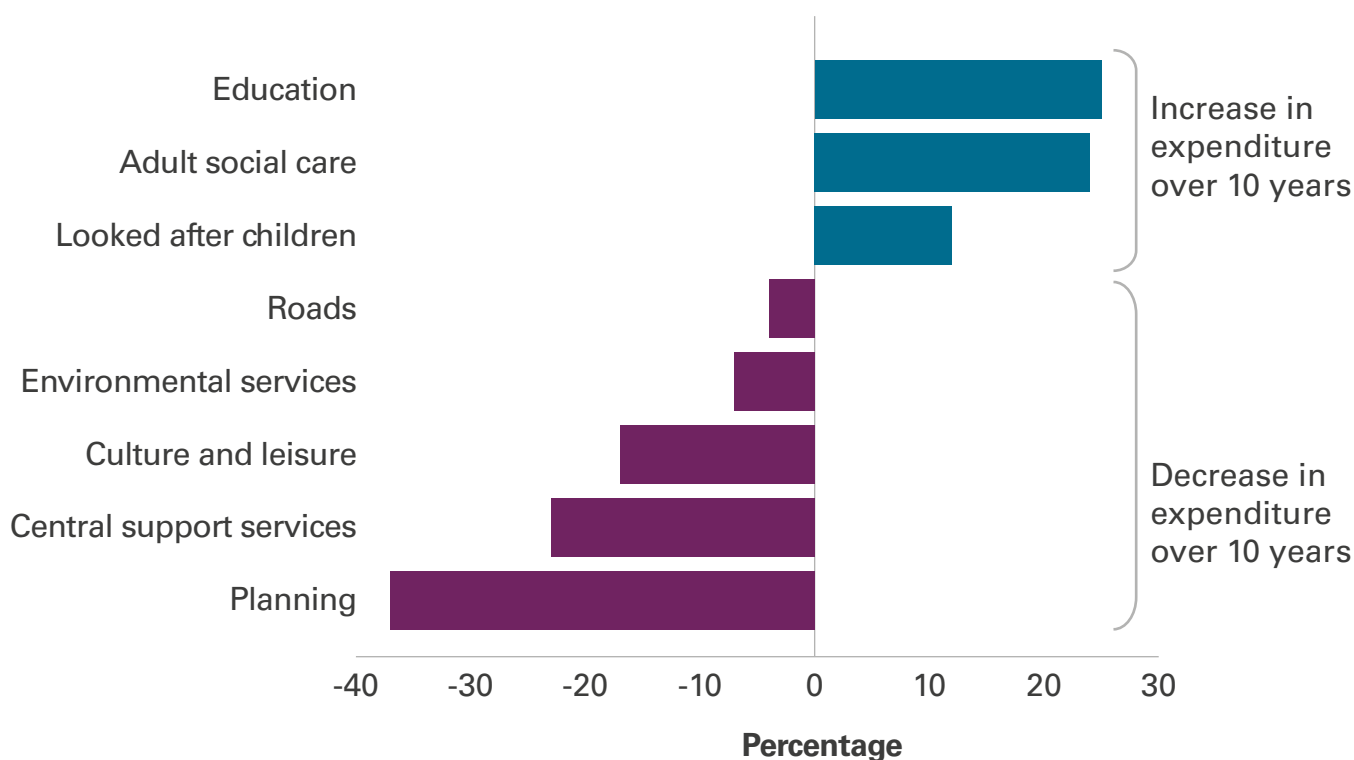
**77.** Specific revenue grants have increased by over 500 per cent (£663 million) across the same period in real terms (although there was a reduction in 2022/23). This significant increase has been a key contributory factor in keeping the overall local government budget at a similar level. These grants are to support the delivery of specific national policies, for example the expansion of early learning and childcare, rather than provision of flexible funding for councils to use at their discretion.

### As demand for council services continues to rise, councils have reduced spending on 'unprotected' services to balance budgets

**78.** As we reported in our [Local government in Scotland: Overview 2023](#) report in May 2023, over the last decade, there is a clear divergent pattern of spending on council services. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of increased demand and national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 17](#)).

## Exhibit 17.

### Percentage change in expenditure (in real terms) over ten years, 2012/13 to 2021/22



Source: Improvement Service

### Councils' medium- and longer-term financial plans demonstrate a clear recognition of the significant financial challenges that lie ahead

**79.** Councils' medium- and longer-term financial plans provide a clear picture of the challenging and volatile financial landscape that they face. Significant pressures resulting from increased demand for services, inflation, and legislative reform, as well as the continuing financial impacts of the Covid-19 pandemic and cost of living crisis, feature strongly.

**80.** Generally, these plans also set out projected budget gaps over the medium and longer term, highlighting the scale of the challenge and the level of savings required to continue to deliver balanced budgets in the years ahead.

**81.** As the whole public sector faces the most difficult financial outlook seen for many years, councils are having to make increasingly difficult choices about their spending priorities and need to balance short-term pressures with robust planning for long-term financial sustainability.

### **Some councils use indicators to assess their financial resilience but the extent to which they are used and their effectiveness varies**

**82.** From a sample of 30 councils, an assessment of financial resilience arrangements found all but five use the **financial sustainability indicators** from the local government benchmarking framework (LGBF) in local reporting. Of the same sample, only six use the CIPFA Resilience Index. The extent of this reporting also varies. Some councils provide regular reports to elected members, while others include detail on a less frequent basis in other documents, such as service plans or strategies.

**83.** Auditor returns indicated that in some cases, financial resilience indicators are not used to any great extent by councils on a regular basis. Financial resilience is instead built into day-to-day financial processes and strategies. In other cases, auditors highlighted the use of key financial ratios recommended by CIPFA Directors of Finance within the management commentary of the accounts or reporting upon financial resilience monitoring in their medium-term financial plans.



**Financial sustainability indicators** are a helpful tool for councils to measure performance and resilience on an ongoing basis. Councils have adopted different approaches to how they use indicators to monitor financial resilience.

### **Recommendation**

Given the scale of the challenges, councils should strengthen their monitoring and reporting of financial resilience including clearer and more public-facing use of performance against financial resilience indicators and measures. Financial resilience indicators should be a component of councils' medium- and longer-term financial plans to provide assurance that they are balancing short-term pressures with robust planning for long-term financial sustainability.

### **The pensions' triennial funding valuation as at 31 March 2023 is not yet complete, but preliminary results suggest a potential positive impact on finances at some councils in the short term**

**84.** The most recent triennial funding valuation took place across Local Government Pension Scheme pension funds at 31 March 2023. The main purpose of the valuation is to review the financial position of each fund and to set appropriate contribution rates for each employer for the upcoming three-year period as part of the fund's overall funding strategy.

**85.** Preliminary results across some pension funds show an improved funding position. An improved funding position may allow the fund to retain a surplus, change the investment strategy, take less funding risks, or reduce employer contributions.

**86.** Reducing employer contributions has the potential to create a 'windfall' effect for some councils, thus potentially reducing some of the cost pressures likely to be faced in 2023/24. This may allow councils some additional flexibility to manage immediate financial pressures while taking steps to enhance financial sustainability over the longer term. This will however require careful consideration at a local level. It is likely that auditors will monitor this closely as part of 2023/24 audits.

## **The Verity House Agreement and looking to the future**

**87.** In June 2023, a new partnership agreement, the Verity House Agreement, was agreed between the Scottish Government and COSLA.

**88.** The partnership committed to:

- **From June 2023, a default position of no ring-fencing or direction of funding unless there is a mutual understanding of the reasons for a ring-fenced funding arrangement.** A reduction in the level of ring-fencing is likely to have a positive impact on the efficient and effective use of resources at a local level. Councils will experience increased local flexibility, providing greater scope to respond well to local needs in a targeted manner. However, good accountability for the use of public funds remains crucial. It is important therefore that the Scottish Government and COSLA work together to establish the right balance between direction and flexibility.
- **By the end of October 2023, undertake a joint review of specific grants and in-year transfers to local government.** The purpose of the review is to identify what funding can be baselined into the General Revenue Grant or General Capital Grant from the 2024/25 financial year to create more flexibility for councils in terms of their spending.
- **By the end of September 2023, agree a new fiscal framework which will govern the allocation of funding for local authorities and provide councils with increased control over their budget-setting processes. This includes multi-year settlements wherever possible to support strategic planning and investment.** The Accounts Commission has previously highlighted the importance of longer-term certainty in funding for councils, and the ongoing need for effective and robust financial management. This commitment in the Verity House Agreement is a welcome development.

**89.** Work in these areas remains ongoing, although at mid-December 2023 these milestones had not been met.

### Recommendation

**Councils should work with the Scottish Government to build momentum and accelerate progress in the development of a fiscal framework for local government to enhance the clarity and certainty of budgets for councils in future years.**

**90.** In October 2023, the First Minister unexpectedly announced a council tax freeze for 2024/25 and the postponement of Scottish Government proposals to increase the council tax multipliers for properties in bands E to H, by 7.5 per cent, 12.5 per cent, 17.5 per cent and 22.5 per cent. This was done without consultation with COSLA. Following greater reliance on increasing council tax to help deliver a balanced budget over the past two years, indications were that many councils were planning to increase council tax again for 2024/25.

**91.** The **Fraser of Allander Institute** modelled that 'if councils were planning increases that mirrored last year's (5.4 per cent), fully funding the freeze and cancellation of the multipliers would cost £329 million – £148 million for the former and £182 million for the latter'.

**92.** In the Scottish Budget on 19 December 2023, £144 million was allocated to 'fully fund' the council tax freeze, with the Scottish Government stating this is equivalent to a five per cent increase. Details on what this means for individual councils were not available at this time.

**93.** The impact of the freeze on councils' financial sustainability is not yet known and we will monitor this in our future audit work. However, even when 'fully funded' a council tax freeze suppresses the growth of the council tax base over that period and the income generated when the freeze is lifted is potentially lower than if councils were able to make tax raising decisions at a local level. The latest council tax freeze follows decisions by the Scottish Government to freeze council tax between 2008/09 and 2016/17 and in 2021/22, as well as cap increases at three per cent in 2017/18 and 2018/19.

**94.** The Scottish Government published their single year 2024/25 budget on 19 December 2023. The 2024/25 initial core revenue and capital settlement for local government is £12.3 billion which is a 1.7 per cent cash increase on the 2023/24 initial settlement. An additional £144 million has been allocated to fund the council tax freeze. A number of elements that were previously specific grants have been baselined into the general revenue grant including early learning and childcare expansion and the Living Wage funding. We will examine the implications of the Scottish Budget for councils' own budget setting in a budget briefing in spring 2024.

Local government in Scotland  
**Financial bulletin**  
**2022/23**



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## Audit & Scrutiny Committee Work Plan 2022 – 2023

This is an outline plan to facilitate forward planning of reports to the Audit & Scrutiny Committee

Report	Lead Service	Regularity
<b>14 March 2024</b>	<b>Reports to Committee Services by 19 February 2024</b>	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee 2023/24	Chief Internal Auditor	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
RIPSA Annual Report	Governance and Risk Manager	Annual
Internal Audit 2024/25 Plan	Chief Internal Auditor	Annual
2022/23 Unaudited Annual Accounts Preparation Plan and Timetable	Head of Financial Services	Annual
Treasury Management Strategy and Annual Investment Strategy	Head of Financial Services	Annual
Progress against Best Value Action Plan Update	Chief Executive/Head of Customer Support Services/HR&OD Manager	Annual
Internal Audit Charter and Internal Audit Manual	Chief Internal Auditor	Annual
Scrutiny Manual and Framework Update	Chief Internal Auditor	Annual
Audit Scotland Report – Financial Overview 2022/23 <i>(usually comes in March but was delayed in 2023 and came in June)</i>	Head of Financial Services	Annual
Possible Scrutiny Topics and Options for 2024/25	Chief Internal Auditor	One-off
<b>13 June 2024</b>	<b>Reports to Committee Services by 20 May 2024</b>	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee	Chief Internal Auditor	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
Internal Audit 2022/23 Annual Report	Chief Internal Auditor	Annual

## Audit & Scrutiny Committee Work Plan 2022 – 2023

Review of Code of Corporate Governance	Governance, Risk and Safety Manager	Annual
External Audit – 2023/24 Annual Plan	Mazars	Annual
Audit Strategy Memorandum	Mazars	Annual
Local Government Benchmarking Framework Report	Head of Customer Support Services/HR & OD Manager	Annual
Unaudited Financial Accounts	Head of Financial Services	Annual
Local Government in Scotland – Overview 2024	Audit Scotland ( <i>Lynsey to see if available and download for agenda pack – see agenda June 2023</i> )	Annual
<b>5 September 2024</b>	<b>Reports to Committee Services by 12 August 2024</b>	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee	Chief Internal Auditor	Quarterly
External Audit Update	Mazars	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
PSIAS Self-Assessment	Chief Internal Auditor	Annual
Corporate Complaints Annual Report 2022/23	Governance, Risk and Safety Manager	Annual
Freedom of Information Annual Report 2022/23	Governance, Risk and Safety Manager	Annual
Audit & Scrutiny Committee 2022/23 Annual Report	Audit & Scrutiny Committee Chair	Annual
Strategic Risk Register – Assurance Mapping	Chief Internal Auditor	Annual
Strategic Risk Register Update	Chief Executive	Annual
External Audit 2022/23 Management Report	Mazars	Annual
<b>17 December 2024</b>	<b>Reports to Committee Services by 22 November 2024</b>	
Internal Audit and Counter Fraud Summary of Activities	Chief Internal Auditor	Quarterly
Internal Audit Report Follow Up	Chief Internal Auditor	Quarterly
Internal Audit Reports to Audit and Scrutiny Committee	Chief Internal Auditor	Quarterly



## Audit & Scrutiny Committee Work Plan 2022 – 2023

Audit Progress Report	Mazars	Quarterly
Verbal Update by Chair(s) of Scrutiny Panel	Chair and Vice Chair of Audit & Scrutiny Committee	Quarterly
Performance Reporting Update (to include reference to LGBF)	Chief Executive/Head of Customer Support Services/HR & OD Manager	Quarterly
Council Annual Report 2022/23	Head of Customer Support Services	Annual

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