

North Ayrshire Council

2025/26 Annual Audit Report



Prepared for North Ayrshire Council and the Controller of Audit
September 2026

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Summary of audit opinions and conclusions

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by North Ayrshire Council.

Wider scope audit

- 3 North Ayrshire Council has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- 4 Financial management is effective. The council reported an underspend against the general services budget of £21.4 million following underspends in capital finance costs, employee costs and increased income across services. Usable reserves increased by £17.2 million to £147.1 million at 31 March 2026. Of this £49.6 million is earmarked for the Prudential Investment Fund which will support borrowing costs for the Capital Investment Programme.
- 5 The Medium-Term Financial Outlook was updated in November 2025 whilst the Medium-Term Financial Plan (MTFP) 2026/27 to 2028/29 was approved in February 2026. The MTFP showed a cumulative gap of £61.6 million over the three-year period. The council approved a balanced budget for 2026/27. This included a savings package of £7.3 million, increasing council tax by 8.5% and the planned utilisation of £3.5 million of reserves.
- 6 Governance arrangements in place are effective however improvements could be made regarding the timely completion of elected members registers of interest as well as increased levels of attendance at member training events.

- 7 Performance reporting arrangements are well established. National benchmarking data shows the council's performance has improved over time, but performance is mixed when compared to the prior year with 50% of indicators improving whilst performance declined for 27%.

Best Value audit

- 8 North Ayrshire Council has effective and appropriate arrangements in place for securing Best Value.
 - 9 North Ayrshire Council has effective and appropriate arrangements in place for preparing and publishing statutory performance information.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of North Ayrshire Council annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to North Ayrshire Council, hereafter referred to as 'the council' and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Louisa Yule (CPFA), of Audit Scotland, has been appointed as external auditor of the council for the period from 2025/26 until 2026/27. Louisa Yule as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, Whole of Government Accounts return, and summary financial statements.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an

independent opinion on the financial statements and other information reported within the annual accounts and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £401,680 (2024/25 £384,980). We also agreed an audit fee of £1,100 for the audit of the registered charities administered by the council (2024/25 £1,100). There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and Audit and

Scrutiny Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 2](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the council.

Audit opinions on the annual accounts

13. The council and its group's annual accounts were approved by Audit and Scrutiny Committee on 24 September 2026 and certified by the appointed auditor on 24 September 2026. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and all working papers were received on 25 June 2026 in accordance with the agreed audit timetable. The Annual Accounts and supporting working papers were of a good standard. Finance staff provided good support to the audit team which helped ensure the smooth running of the final accounts audit process.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in

the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for the council and its group

Materiality	The council	Group
Materiality – set at 2% of gross expenditure	£13.6 million	£17.8 million
Performance materiality – set at 65% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£8.9 million	£11.6 million
Reporting threshold – set at 5% of materiality.	£0.7 million	£0.9 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the council is Audit and Scrutiny Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
Council dwellings – Classification error During testing, an asset was identified which was transferred from assets under construction to council dwellings in the unaudited accounts. However, it was noted that work on this asset was not completed until after 31 March 2026, therefore they should have been in asset under construction for 2025/26 accounts.	The Council updated the accounts. Assets under construction as at 31 March 2026 increased by £4.112 million, with a corresponding decrease to council dwellings. Depreciation has decreased by £0.206m, with a corresponding debit entry to the capital adjustment account.
Location factor used in property valuations and indexation The council used the January 2026 BCIS location factor of 0.94 instead of the March 2026 location factor of 0.93 in the valuation of depreciated replacement cost (DRC assets) and indexation of properties valued using the DRC methodology. We confirmed that the impact was not material for the indexation process however noted that it could potentially be material for the assets revalued at 31 March 2026.	The Council has calculated that the impact of using a location factor of 0.93 instead of 0.94 would be a decrease of £3.007m to other land and buildings. This represents 0.2% of the total property, plant and equipment value of £1,421.3 million. The council does not consider this to be material and has not updated the accounts. As the impact is below the audit materiality levels, we have accepted this assessment. Going forward, the council should ensure that the March location factor is used within the indexation and valuation calculations for the annual accounts. Recommendation 1
Assets under construction – Classification error During testing, an asset was identified as incorrectly being included in assets under construction although the asset was operational.	The Council have updated the accounts which has increased other land and buildings by £2.137 million, with a corresponding decrease to assets under construction.
Short term investments – Classification error During testing, we identified that a fixed term deposit of £5 million had been incorrectly classified as a short-term investment instead of long term.	The Council updated the accounts. This resulted in long-term investments increasing by £5 million, with a corresponding decrease to short term investments.

Significant findings and key audit matters	Outcome
Heritage Asset – Trinity Mirror and Shards The Council were unable to provide evidence to confirm that a heritage asset with a value of £0.127m was owned by North Ayrshire Council.	The value of the asset is not material however the Council should continue their work to confirm their ownership of the asset. Recommendation 2

Source: Audit Scotland

Correspondence referred to the auditor by Audit Scotland/Statutory objections to the accounts

22. We received an objection to the accounts covering issues related to the Largs Common Good Fund and Trust Funds. We met with the objector and considered the issues and evidence provided. We are satisfied that this did not identify any issues which had an impact on our opinion on the financial statements.

23. Through consideration of the objection, it has been identified that the council has not held an annual putting competition in Largs, to meet the requirements of the Isabella McPhee Memorial Fund.

24. The council no longer operates the putting green directly. In March 2024, Cabinet approved the lease of Mackerston Putting Green and associated kiosk for a period of five years on a full repairing and insuring lease at a rent of £2,000 per annum. No proposals have been received from any third parties, either members of the community or the lessee, to hold a putting competition.

Qualitative aspects of accounting practices

25. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

26. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

27. Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making

the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

28. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 6](#).

Disclosures in the financial statements

29. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

Group audit

30. The council is part of a group and prepares group financial statements. The group is made up of nine components, including the council which is the parent of the group. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3](#).

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
North Ayrshire Council	Audit Scotland Fully scope audit of the council's annual accounts.	See above; results of the audit work are reported in this Annual Audit Report.
Common Good Funds	Audit Scotland Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.

Group component	Auditor and audit work required	Summary of audit work performed
Trust Funds	Audit Scotland Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.
North Ayrshire Ventures Trust	Galbraith Pritchards Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.
North Ayrshire Leisure Limited	Azets Audit Services Limited Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.
Strathclyde Partnership for Transport (SPT)	Audit Scotland Obtain assurances on the audit procedures carried out on the valuation of land and buildings in SPT	Assurances obtained on the audit procedures carried out on management override, valuation of land and buildings in SPT.
Strathclyde Concessionary Travel Scheme Joint Board	Audit Scotland Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.
Ayrshire Valuation Joint Board	Audit Scotland Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.
North Ayrshire Integration Joint Board	Audit Scotland Analytical procedures at group level.	Analytical procedures performed at the group level, no significant issues identified.

Source: Audit Scotland

31. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.

- any frauds or suspected frauds involving group or component management.

32. No matters in relation to the above were identified.

33. The unaudited group accounts were prepared using the 2024/25 accounts for North Ayrshire Leisure Limited as the 2025/26 accounts are not yet available. We are satisfied that this has not had a material impact on the group accounts.

Our audit opinion on the annual Accounts of the eight section 106 charities administered by the council are unmodified.

34. Elected members of the council are trustees for eight registered Scottish charities:

- **Anderson Park Trust:** Charity number – SC042136
- **Douglas Sellers Trust:** Charity number – SC042101
- **Margaret Archibald Bequest:** Charity number – SC042117
- **North Ayrshire Charitable Trust:** Charity number – SC025083
- **North Ayrshire Council (Dalry) Charitable Trust:** Charity number – SC043644
- **North Ayrshire Council (Kilbirnie and Glengarnock) Charitable Trusts:** Charity number – SC043600
- **North Ayrshire Council (Kilwinning) Charitable Trust:** Charity number – SC043374
- **North Ayrshire Council (Largs) Charitable trust:** Charity number – SC043494

35. The Trust balances are disclosed in a note in the council's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

36. A full and separate independent auditor's report is required for the statement of accounts of each registered charity where members of North Ayrshire Council are sole trustees, irrespective of the size of the charity; this is as a result of the interaction of the Local Government in Scotland Act 1972 with the charities legislation.

37. Our duties as auditors of the charities administered by North Ayrshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation.
- read the Trustees' Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

38. The council has made full use of the connected charities provision and reports all charities within one set of accounts.

39. Six trusts have been dormant for a period of six years or more and of these, three Trusts have been dormant for over eight years. The dormancy of each identified Trust is disclosed on page 6 of the Trustees annual report.

40. We recommended within the 2022/23 Annual Audit Report, that the charitable Trusts had adequate governance documentation to enable grants to be issued as well as suitably advertising their purpose and how funds can be accessed. Whilst the charitable Trusts have continued to promote their activities, and the council raise awareness within communities of the financial support available from the Charitable Trusts; this has not been sufficient to bring the trusts back into operation. There is no clear plan on how to bring these Trusts back in to use. It is therefore unlikely that these Trusts meet the requirement of public benefit.

41. We reported in 2024/25 that; the funds within Dalry Trust, Kilwinning Trust, Kilbirnie & Glengarnock Trust, Largs Trust, Douglas Sellers Trust and Anderson Park Trust will be exhausted during 2025/26. The trustees planned to obtain approval from OSCR to wind up these trusts and for any remaining capital funds to be disbursed. The funds were not exhausted in 2025/26 and officers confirmed that approval has not been sought from OSCR to wind them up.

42. The Independent Auditor's Report for the Annual Accounts of the eight charities administered by the council reports that, in the appointed auditor's opinion, these were free from material misstatement.

Recommendation 5

Dormant Trusts

The council should look to progress plans to utilise trust funds to deliver public benefit and where appropriate to seek approval from OSCR for the disbursement of any remaining capital and wind up those Trusts.

Other matters to report

43. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit. The matter(s) identified or encountered on the audit of the council is outlined in Exhibit 4.

Exhibit 4

Other matters to report

Auditing standard requirement	Matter to report	Outcome
Related parties ISA (UK) 550 requires auditors to report any significant matters in connection with related parties identified during the audit.	Our work identified a number of register of interests for councillors that had not been updated for the 2025/26 financial year. This can lead to difficulties identifying related party relationships and issues around transparency. See para 141 and Recommendation 1	Recommendation included in this annual audit report.

Source: Audit Scotland

Significant matters discussed with management

44. All significant matters identified during the audit and discussed with the council's management have been reported in the Annual Audit Report.

Audit adjustments

45. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.700 million are outlined in Exhibit 5.

Exhibit 5

Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. As outlined in Exhibit 2 , an adjustment was required due to significant finding one.					
	Assets under Construction			4,112	
	Council Dwellings				(4,112)
	Capital adjustment account			206	
	Depreciation		(206)		
2. As outlined in Exhibit 2 , an adjustment was required due to significant finding three.					
	Other Land and Buildings			2,137	
	Assets under Construction				(2,137)
3. As outlined in Exhibit 2 , an adjustment was required due to significant finding four.					
	Long term investments			5,000	
	Short term investments				(5,000)
Net impact on financial statements		-	(206)	11,455	(11,249)
Audit adjustments in disclosures					

Source: Audit Scotland

46. Management of the council processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report

47. In addition to the corrected misstatements outlined in [Exhibit 5](#), there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

48. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of the council have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with the Audit and Scrutiny Committee as those charged with governance.

Whole of Government Accounts (WGA) return

49. The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. The council was below this threshold and therefore only limited audit procedures were required.

Significant risks of material misstatement identified in the Annual Audit Plan

50. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 6](#).

Exhibit 6**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • Our audit work identified an issue with the controls in place for identifying and disclosing related party relationships. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.

Risk of material misstatement	Planned audit response	Outcome of audit work
Non-Current Assets The council held £1,259 million of property, plant, and equipment (PPE) at 31 March 2025, of which £989.7 million was land and building assets. The council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations. A number of errors were identified in the prior year relating to the classification of non-current assets, which resulted in a number of significant adjustments being required in the audited accounts.	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process, and challenge these where required. • Review the indices applied by management to assets not subject to valuation in 2025/26 and assess if these are reasonable and have been correctly applied. • Perform substantive testing of a sample of assets from the asset register to check that they have been correctly classified and have not been counted in more than one asset category. • Review the NCA disclosures in the accounts.	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2025/26 valuation process were appropriate. • The indices applied by management to assets not subject to valuation in 2025/26 were reasonable and no significant issues were identified regarding their application. • Substantive testing of a sample of assets did not highlight any issues with assets being counted in more than one asset category; however, a couple of classification errors were identified. • The NCA disclosures in the accounts were deemed appropriate. Conclusion: the valuation of PPE is not materially misstated.

Source: Audit Scotland

Prior year recommendations

51. The council has made progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the council and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

The council has effective and appropriate arrangements in place for Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.

Financial management is effective. The council reported an underspend against the general services budget of £21.4 million following underspends in capital finance costs, employee costs and increased income across services. Usable reserves increased by £17.2 million to £147.1 million at 31 March 2026. Of this £49.6 million is earmarked for the Prudential Investment Fund which will support borrowing costs for the Capital Investment Programme.

The Medium-Term Financial Outlook was updated in November 2025 whilst the Medium-Term Financial Plan (MTFP) 2026/27 to 2028/29 was approved in February 2026. The MTFP 2026/27 to 2028/29 showed a cumulative gap of £61.6 million over the three-year period. The council approved a balanced budget for 2026/27. This included a savings package of £7.3 million, increasing council tax by 8.5% and the planned utilisation of £3.5 million of reserves.

Governance arrangements in place are effective however improvements could be made regarding the timely completion of elected members registers of interest as well as increased levels of attendance at member training events.

Performance reporting arrangements are well established. National benchmarking data shows the council's performance has improved over time, but performance is mixed when compared to the prior year with 50% of indicators improving whilst performance declined for 27%.

Audit approach to wider scope

Wider scope

52. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.

- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

53. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Conclusions on wider scope audit

Financial Management

54. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the council:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Scrutiny Committee.

The council reported a general fund service underspend of £21.4 million.

55. The council approved a balanced budget of £459 million for 2025/26 in February 2025. The budget required a planned use of £4 million reserves and a range of savings totalling £4.801 million. In addition, earmarked funds of £85 million were carried forward from 2024/25 for service expenditure in 2025/26 and are reflected in the financial performance reports for 2025/26.

56. In the 2025/26 Annual Accounts, the council reported a total service underspend of £21.4 million. Significant variances against budget are summarised in [Exhibit 7](#).

Exhibit 7**Summary of significant variances against budget**

Area	£m	Reason for variance
Financing costs	£10.2 million	Underspend on capital financing costs aligned to Treasury management and investment strategy, including revision to the annual debt repayment charges under revised service concession arrangements.
Employee costs	£2.2 million	Underspend in employee costs mostly due to vacancy management across services and staff turnover levels. This is net of the overspend of £1.7 million additional costs for teachers in relation to absence cover and teacher salary pay levels.
Service income and recharges	£4 million	Higher than anticipated income and recharges across services.
Other Corporate items	£3.4 million	Underspend in relation to centrally held provisions not required in the year.
HSCP	£1.8 million	Underspend within HSCP net of £1.3 million additional costs for external residential and non-residential placements for children.

Source: North Ayrshire Council 2025/26 Annual Accounts

The Housing Revenue Account underspent by £3.9 million in 2025/26

57. The Housing Revenue Account expenditure of £62.5 million was against a revised budget of £66 million. The underspend of £3.9 million reported is mostly due to savings on loan charges linked to the council's continuing strategy to delay external borrowing by utilising cash balances.

58. The council intends to retain the underspend within the Housing revenue Account reserves to support future service delivery, including the Council House building programme.

59. The Housing Revenue Account Reserve as at 31 March 2026 is £25 million and will be utilised to support the delivery of the HRA Business Plan.

60. Housing Revenue Account expenditure on capital investment was £36.917 million against a budget of £41.958 million. The underspend was

primarily in relation to changes in the profiling of expenditure on new build projects including contingency budget not required in year.

There was a £17.2 million increase in usable reserves to £147.1 million at 31 March 2026.

61. There is a planned use of reserves over the medium term to mitigate funding gaps. In 2025/26 there was a net increase of £17.2 million (2024/25 £3.5 million), in the council's usable reserves, resulting in a total balance of £147.1 million at 31 March 2026 ([Exhibit 8](#)).

62. The [March 2023 CIPFA Bulletin 13](#) on Local Authority Reserves and Balances provides updated best practice guidance on Local Authority Reserves and Balances. The Bulletin does not set a prescribed level of reserves, but it says the Proper Officer (the council's Head of Service - Finance) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- Working balance: To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- Contingency: To cushion the impact of unexpected events or emergencies.
- Known requirements: To build up funds to meet known or predicted requirements

Exhibit 8 **North Ayrshire Council – Usable reserves**

Reserve	31 March 2024 £'Million	31 March 2025 £'Million	31 March 2026 £'Million
General fund	£93.385	£94.269	£107.745
Housing Revenue Account	£20.566	£22.141	£25.148
Insurance Fund	£2.558	£2.233	£2.316
Capital Fund	£9.831	£11.186	£11.866
Total usable Reserves	£126.340	£129.829	£147.075

Source: North Ayrshire Council Annual Accounts 2024/25 to 2025/26

63. At 31 March 2026, the general fund reserve includes an unearmarked balance of £11.195 million, representing 2.3% of budgeted expenditure for 2025/26. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with, although at the lower end of, the council's approved strategy of maintaining unearmarked reserves between 2 and 4 per cent of net expenditure to meet the potential cost of unforeseen liabilities.

64. The earmarked general fund reserve of £96.6 million includes an earmarked Prudential Investment Fund (Loans Fund Reserve) of £49.6 million which supports borrowing linked to the council's Capital Investment Programme. It was created as part of the 2015/16 budget strategy to utilise short term underspends on General Fund financing budgets to offset longer term pressures to support Prudential Borrowing arising from the Capital Investment Programme.

65. Due to the significant investment planned by the council over the period to 2033/34, the current General Fund financing budgets will be incrementally increased over the period of the programme. This additional funding includes the use of the recurring element of the Service Concession flexibility approved at Council on 15 February 2023 and the utilisation of the balance of savings from the reduction in employer pension contributions in 2025/26.

66. The remainder of the General Fund Reserve, £47 million, is earmarked for specific purposes such as the supporting the council's renewal and recovery strategy (£4.1 million), change and service redesign fund (£3.3 million) and supporting the medium-term financial planning strategy (£5.2 million).

67. The level of reserves has supported the council in delivering medium-to long-term strategies, funding one-off costs, and smoothing its core revenue budget requirement. However, delivering balanced budgets over the medium term will remain very challenging and will require a range of measures, including reduced service investment, further service reform and redesign, income generation, efficiencies from the Sustainable Change Programme, use of council reserves, and council tax increases that balance inflationary pressures with the impact on citizens.

A new General Fund Capital Investment Programme 2025/26 to 2033/34 is used to inform capital investment and support Council plan priorities.

68. In February 2025, the Council approved the refreshed Capital Investment Programme 2025/26 to 2033/34. The refresh considered the current Capital Investment Programme and takes cognisance of subsequent changes including:

- The ongoing impact of construction industry inflation, cost volatility and supply chain issues across the overall Capital Investment Programme;
- Revised Scottish Government capital grants as detailed in the Local Government Finance Settlement 2025/26;
- A review of spending profiles across key capital projects to support the Council's priorities; and
- Revised levels of investment across projects, taking cognisance of Council priorities, external funding sources and investing in core assets through asset management plans.

69. The refresh included an assessment of all funding sources over the 9 years of the plan, including assumed levels of general capital grant, specific grants and an assessment of the level of capital receipts over the period. The refreshed capital Investment Programme proposed total investment of £331.5 million over the period 2025/26 to 2033/34. Total available funding is projected at £174.2 million.

70. The difference between the Council's Capital Investment Programme and funding from various sources is expected to be met through prudential borrowing of £157.260m. The Capital Investment Programme is expected to be delivered within the approved loan charges revenue budget, utilising the balances held in the Prudential Investment Fund and Capital Fund to smooth the revenue implications of the borrowing costs associated with the revised programme.

71. The Prudential Investment Fund was created as part of the 2015/16 budget strategy to utilise short term underspends on General Fund financing budgets to offset longer term pressures to support Prudential Borrowing arising from the Capital Investment Programme.

72. Due to the significant investment planned by North Ayrshire Council over the period to 2033/34, set within the context of government grant forecasts and combined with the additional cost pressures identified across a number of projects, it is projected that these funds will be exhausted before the end of the current 10-year Capital Investment Programme.

73. The council acknowledges that in order to ensure the affordability of current and future capital investments beyond this, it will be necessary to incrementally increase the current General Fund financing budgets over the period of the programme. Additional funding support to mitigate significant cost increases and the increased cost of borrowing includes the use of the recurring element of the Service Concession flexibility, which resulted in an average contribution of £3.437m from 2022/23 and the utilisation of the balance of savings from the temporary reduction in the employers' superannuation contributions during 2024/25 and 2025/26 totalling £8.498m.

74. The proposed investment aligns with the Council's key priorities, as set out in the Council Plan 2023-2028, core asset management plans and the refreshed Capital Investment Strategy.

75. In response to previous reporting on the need for the council to improve its forecasting of capital projects and more accurately plan expenditure, recognising the extent of optimism bias that appears to have existed; the phasing of expenditure within the approved Capital Investment Programme for 2024/25 to 2033/34 was reviewed to reflect historic expenditure patterns and organisational capacity. This resulted in the rephasing of approximately 19% of the planned expenditure in both 2024/25 and 2025/26 for delivery in later years, without impacting on the overall value of investment within the programme.

76. Both capital and revenue financial resources across the General Fund and Housing Revenue Account are used to maintain the current asset base. The Council's Capital Investment Strategy has been developed in line with the requirements of the Prudential Code and brings together the various asset management plans and strategies across the Council, aligning investment plans with these strategies and with strategic priorities. Individual asset management plans are then updated on an annual basis.

77. The capital programme is reviewed by Cabinet on an on-going basis with any additional funding brought forward for approval as appropriate. Major reviews are undertaken on a 3-year basis, with the next due to be completed during 2026/27.

Challenges in the construction industry continue to impact the council's capital programme.

78. The Capital Investment programme recognises risks around significant cost volatility across the construction industry, including inflationary pressures, limited availability of contractors, supply chain issues and material shortages which are impacting on tender returns and the cost of materials.

79. Where quantified, the resultant cost pressures have been recognised in relation to specific projects. However, risks have been identified, or are anticipated, across a number of projects using industry cost estimates as an indicator, including major works at Ardrossan North Shore through enabling works and Ardrossan Campus. In order to support the management of these and other emerging risks, and to apply prudent financial planning, an additional investment of £15.000m within the Flexibility budget is included over the next five years. This position will continue to be monitored as works advance and tenders are finalised.

80. Total capital investment of £331.5 million from the Council's General Fund is planned over the period from 2025 to 2026 until 2033 to 2034, supporting the four key strategic priorities from the Council Plan:

- Wellbeing,
- Communities and Local Democracy,
- Climate Change and
- A Sustainable Council.

81. Including planned expenditure of £63.8 million towards the Ayrshire Growth Deal to 2033 to 2034. It is recognised that the total level of investment across Ayrshire will be in the region of £251.5 million (including £103 million commitments from both the UK and Scottish Governments).

82. The council's General Fund capital plan includes £96.0 million planned investment in Education. The major areas of education investment include:

- £6.5 million investment for the universal school meals expansion to enable improvements in current kitchen and dining facilities across the school estate to create capacity for the anticipated uptake.
- £81.8 million for the new build Ardrossan Campus wider community facility development.
- £7.5 million investment to schools for ICT equipment.

83. In June 2026, Cabinet received a report from the cost consultant on the Ardrossan Campus Project. This was after the identification in September 2025 of asbestos and hydrocarbon contamination which has resulted in an additional cost to the project of £9.97 million (8.74%) and an extension of the completion date to 26 May 2028. This has resulted in the overall Campus project budget increasing to £124.6 million, with the additional funding to be met from the Council's capital flexibility fund approved in February 2026.

84. The council's Housing Revenue Account Capital Investment Programme for 2026/27 of £70.1 million, including £18.5 million for stock improvements and £34.2 million to support the delivery of the Strategic Housing Investment Plan, aims to deliver 1,666 affordable new homes.

Roads backlog maintenance stands at £42.9 million with a 'steady state' requirement for maintaining the roads at present condition of £3.8 million per year.

85. North Ayrshire Council's roads are the council's largest community asset. The council maintains, 1,044 kilometres of adopted roads.

86. The capital programme for the period 2026/27 to 2033/34 details that £3.8m of capital investment is planned annually on roads improvement/reconstruction. The Council Budget meeting in February 2026 approved a further £4 million investment in Roads. The programme also states that there is Planned investment of £83.5 million on roads,

structure and lighting until 2033/34 including improvements to the roads and street lighting network, upgrading of the B714, flood prevention works, bridges infrastructure improvement and Active Travel projects.

87. The £83.5 million includes £42.9 million road improvements, £4.1 million on flood prevention works and £26.2 million on the upgrading of the B714 following a successful application to the UK Governments Levelling Up Fund. Property lifecycle investment of £9.0 million, to support the property asset management plan, will ensure Council properties continue to be maintained to the appropriate standards in delivering services to citizens and communities. The plan includes investment in several key programmes of regeneration within North Ayrshire and, in respect of the Ayrshire Growth Deal, on a wider pan Ayrshire basis.

Total external debt which includes the council's long-term liabilities was within the authorised limit and operational boundary set by the council's treasury management investment strategy.

88. The Capital Financing Requirement (CFR) is the underlying borrowing requirements of the Council. The CFR is the total historic outstanding capital expenditure which has not been paid from either a capital or revenue resource and, therefore, needs to be funded from borrowing. It is a measure of the Council's underlying borrowing need.

89. The council remained within its authorised CFR of £552.8 million for 2025/26, with gross borrowing of £421.9 million. This is lower than the CFR as the council continues with its strategy to use internal funds. The ratio of net revenue used for paying for the borrowing finance cost (loan interest) was 26.5% for housing and 4.1% for non-housing. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.

90. The treasury strategy aligns with the Council Plan by contributing to "maximising financial flexibilities to help support delivery of priorities" and "maximising value from the use of our assets" as referred to under the priority of "A Sustainable Council".

91. The Capital Investment Strategy (2024-2034) and Treasury Management and Investment Strategy (2026/27) show that the council considers its debt to expenditure ratio and is keeping borrowing within prudent and sustainable levels. The CFR is projected to:

- Increase to £874.978 million by 2030/31
- Reduce annually thereafter to 2033/34.

92. The council continues to manage its borrowing through its treasury management and investment strategy. Updates on the investment position

of the Council are reported to Cabinet in the Mid-Year Treasury Report, and the Annual Treasury Report is submitted to the Council after the end of the financial year.

The new Programme for Government in September 2026 focuses on improving outcomes and addressing national challenges with wide ranging proposed reform

93. The Scottish Government's Programme for Government 2026-31 focuses on eradicating child poverty, growing the economy, tackling the climate emergency, and delivering a strong NHS and public services. Within health and social care, it prioritises reducing waiting times, improving access to care, and shifting more services from hospitals into community settings to support prevention and independent living.

94. The Programme proposes modernisation and significant reform including replacing the current 14 territorial health boards with two strategic health boards. For local authorities, the Programme signals potential reform of health and social care governance and delivery arrangements and reducing duplication and increasing efficiency in the delivery of public services. While the direction of travel is towards greater integration, prevention and community-based care, the full implications for local authorities remain uncertain. Greater clarity is expected in the coming months as the Scottish Government undertakes planned consultation and engagement on the future of social care and local governance.

There are well-established budget monitoring and reporting processes in place.

95. The council has effective financial management processes in place to manage budgets and support the sustainability of services in the medium-term. This is supported by an experienced finance team and the processes in place allow members to carry out effective scrutiny of the council's finances.

96. The Cabinet regularly review progress against budget throughout the year. The budget updates provide a good level of information on the reasons for variances, the projected financial outturn and the challenges facing the council for the rest of the year. The information is provided at timely intervals throughout the year to enable effective scrutiny from members.

Key financial information overtime shows how the council has effectively managed its financial pressures overtime.

97. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 9](#).

Exhibit 9

Key financial information

Budget setting	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 Planned (£m)
Budget gap	19.267	22.574	18.867	17.615
Planned to be met via:				
• Savings and flexibilities	-12.448	-17.562	-8.539	-7.296
• Use of reserves	-3.410	-5.000	-4.000	-3.500
• Additional council tax / funding	-3.409	-0.012	-6.328	-6.819
Actual				
Savings delivered	-12.448	-17.562	-8.539	
Reserves				
Use of / (contribution to) reserves	-3.410	-5.000	-4.000	-3.500
Total usable reserves carried forward	126.340	129.829	147.075	
General Fund:				
• Earmarked	84.940	85.088	96.550	
• Uncommitted	8.445	9.181	11.195	

Source: The council's 2025/26 annual accounts and Council Revenue Plans

Financial systems of internal control were effective

98. From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we have not identified any issues that represent a risk of material misstatement for the 2025/26 Annual Accounts.

99. The key controls within the council's main financial systems were assessed as being designed and implemented appropriately. As such, we are satisfied that the risk of material misstatement to the Annual Accounts is low.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2025/26.

100. Internal Audit provides an independent and objective opinion on the Council's risk management, governance and control environment by evaluating its effectiveness.

101. The Internal Audit Plan for 25/26 was approved by the Audit and Scrutiny Committee in March 2025 and sets out the areas of work which Internal Audit intends to cover during the year. A mid-year update to the Internal Audit Plan was approved in November 2025.

102. The update to the plan is in line with Global Internal Audit Standards (GIAS) which recognise that it is good practice to regularly review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems and controls.

103. Internal audit's annual report, presented to the June 2026 Audit and Scrutiny Committee, provided reasonable assurance on the adequacy and effectiveness of the Council's governance, risk management and control arrangements.

104. All audit reports finalised during 2025/26 were reported to meetings of the Audit and Scrutiny Committee. The results of the audits that have been completed and reported on, with respect to the 2025/26 audit plan, provided mostly substantial and reasonable audit opinions reported upon.

105. In accordance with the GIAS, the Internal Audit function is required to undergo an External Quality Assessment (EQA) at least once every five years. The most recent EQA was completed in 2022, and the next EQA undertaken against the new Global Internal Audit Standards is scheduled for 2027.

106. A self-assessment against the Global Internal Audit Standards was completed during 2025/26, and the Chief Internal Auditor concluded that the internal audit function generally conforms with the Standards. An associated action plan was developed and is expected to be implemented over the next 12 months to support progression towards full conformance. Progress against this action plan will be reported to the Audit & Scrutiny Committee during 2026/27. The self-assessment forms part of the Quality Assurance and Improvement Programme (QAIP), as required by the Global Internal Audit Standards.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption.

107. The council has a range of established procedures for preventing and detecting fraud and irregularity including counter fraud and corruption

strategy, whistleblowing policy and procedures, and codes of conduct for members and officers.

108. A Corporate Fraud Team provides the Council with the capacity to investigate fraud both within and against the organisation. The Audit and Scrutiny Committee receives bi-annual updates on the work of the team.

109. The team received 338 referrals for investigation during 2025/26 (2024/25 331 referrals). All referrals made to the team are investigated. 318 cases were closed during 2025/26 (2024/25 359 cases) with results achieved (fraud, error or other recovery/action) in 100 cases. Fraud and error totalling £0.103 million was identified.

110. The council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud.

111. We have concluded that the council has in place appropriate arrangements for the prevention and detection of fraud and other irregularities. We are not aware of any specific issues that we need to bring to your attention.

Financial Sustainability

112. The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the council:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met.

The council's latest medium-term financial outlook which covers the three-year period to 2026/27 to 2028/29 has identified a structural funding gap of £61.6 million (including the HSCP).

113. The council has established processes for setting and monitoring budgets. The General Fund Long Term Financial Outlook (LTFO) is a key part of its strategic financial framework, providing the basis for the Medium-Term Financial Outlook (MTFO) and annual budgets. This supports the council in responding to financial challenges and aligning

resources with the priorities in the Council Plan. The LTFO also ensures that strategic initiatives requiring long-term revenue and capital commitments are reflected in financial planning.

114. The latest LTFO, covering 2024/25 to 2033/34 and presented to the Council in December 2023, identifies an estimated funding shortfall of £127 million over the next ten years. This includes anticipated HSCP pressures and is based on best estimates, with sensitivity analysis showing the impact of changes in key assumptions. Although the council currently has reserves to help manage funding gaps, these reserves can only be used once. The council's cost base is not sustainable, creating a risk to the longer-term financial sustainability of council services.

115. The most recent MTFO for the period 2026/27 to 2028/29 was presented to the Council in November 2025. It draws on similar data and projections to that contained in the Long-Term Financial Outlook; however, the financial projections have been updated for this period based on more recent cost analysis and funding metrics. This has identified a gross funding gap of £61.6m over the next 3 years, excluding any assumptions regarding planned use of reserves and Council tax increases, which must be addressed as part of the Council's Medium-Term Financial Plan.

116. Key assumptions within the MTFO include:

- Workforce costs - The current planning assumption beyond that which has already been agreed across the medium and long-term is for the Council funding element of pay awards to remain at a 3% increase each year. It was noted that for 2026/27, the Scottish Government have committed to fund the increase in pay above 3% i.e. 0.5% additional funding.
- HSCP - The projected position of HSCP, influenced by significant demographic, demand, funding and inflationary pressures of around £8.2m in 2026/27, indicates a potential funding deficit position of between £8m to £21m in 2026/27, with a central planning deficit assumption of between the best and medium-case scenarios of around £11m.
- Local Government Funding – the council recognises the uncertainty around future funding levels and how they can impede progress towards delivering sustainable change. The Scottish Government has made a commitment to include information to support multi-year allocations; it is hoped that this new approach will support more sustainable medium-term financial planning.

117. The anticipated funding gap position of the Council (including the HSCP) over the period is provided in [Exhibit 10](#). This does not incorporate any planned use of reserves noted above.

Exhibit 10

MTFO – Budget gap 2026/27 to 2028/29

	2026/27	2027/28	2028/29	Total gap
	£m	£m	£m	£m
General Fund Funding Gap	12.5	13.8	13.0	39.3
HSCP Pressures (including pay)	8.2	7	7.1	22.3
Total	20.7	20.8	20.1	61.6

Source: North Ayrshire Council

The council approved a balanced budget for 2026/27 with council tax increasing by 8.5 per cent, fees and charges increasing by 5 per cent on fees and the planned use of £3.5 million of reserves was approved.

118. The Medium-Term Financial Plan (MTFP) for 2026/27 to 2028/29 was approved in February 2026. As reflected in [Exhibit 10](#), it outlined indicative net funding gaps for the three-year period to 2028/29 of £61.6 million which includes the Health and Social Care Partnership pressures.

119. The MTFP included an initial baseline planning assumption for 2026/27 of an increase of 7% Council Tax, with a current planning assumption of a further 5% increase for 2027/28 and 2028/29. The council approved an increase in council tax of 8.5% for 2026/27.

120. The MTFP includes a range of savings proposals that will be required to deliver a balanced Budget position for 2026/27. Alongside this council tax is projected to increase by 7% and reserves will be utilised to help mitigate the significant financial challenges facing the Council.

121. The council was presented with a balanced budget for 2026/27 in February 2026 of £484.9 million. Council approved an increase to council tax rates of 8.5% which will generate an additional £6.8 million. Alongside this, the budget outlined plans for the use of £3.5 million in reserves and savings will also be delivered across directorates.

122. As part of efficiencies and savings proposals to support the budget, the council also approved an increase of 5% on fees and charges for 2026/27. The budget also included a package of efficiency savings totalling £7.296 million to address the council's budget gap. This consists of £4.202 million of savings within the council's operational adjustment; £2.220 million of previously approved savings and £0.874 million of IJB related savings.

123. The council recognise risks to the achievement of the 2026/27 projected outturn position due to:

- the employer contribution rates to Strathclyde Pension Fund increasing to 17.5% in 2026/27 following a two-year temporary reduced rate of 6.5%
- ongoing pressures within the Health and Social Care Partnership which has the potential to impact the level of support the council is required to provide. The Health and Social Care Partnership are projecting a deficit position.

124. The Medium-Term Financial Plan (MTFP) for 2026/27 to 2028/29 reflects on the analysis included within the Medium-Term Financial Outlook.

An extensive programme of engagement and consultation with communities was undertaken as part of the 2026/27 budget process setting out the scale of the challenges facing the council.

125. Before the Council considered the range of budget proposals and the level of Council tax for 2026/27, an extensive programme of engagement and consultation with communities was undertaken that set out the scale of the financial challenge facing the council. The engagement ran from 6 November to 19 December 2025 and included surveys across two main themes as well as in person and online focus groups. The main themes each included a number of proposals which included:

- Reduce the budget for teachers by 1% in 26/27 and 27/28 leading to savings of £0.590 million and £1.549 million respectively.
- Align Pupil Support Assistant hours to reflect reduced pupil rolls across mainstream schools, reducing the budget by 1% in each of the two years equating to 135 hours per week.
- Streamline the Participatory Budgeting small community grants processes into one community process, creating a more engaging process for communities.

126. The programme resulted in 1,225 responses across the two themes, detailed feedback on proposals and considerable engagement with community groups across North Ayrshire. The engagement also enabled residents to bring petitions on specific options to the Audit and Scrutiny Committee and Cabinet. Full details of feedback across all areas were presented to the Council on 11 February 2026, for elected member consideration in advance of setting the Council Budget on 25 February 2026.

127. The use of the survey helps the Council fulfil its statutory duty to consider the impact its policies, including budget proposals, may have on those with protected characteristics (Equality Act 2010), our island communities (Islands (Scotland) Act 2018) as well as the socio-economic impact on our residents (Fairer Scotland Duty (2018), the Consumer (Scotland) Act 2020) and the possible impact on the rights of children (United Nations Convention on the Rights of the Child (Scotland) Act 2024). The results of the survey were used by services to help inform impact assessments for budget proposals.

Vision, Leadership and Governance

128. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having a Corporate Plan in place, supported by Operational Plans, that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, both internally and externally, that is linked to its Operational Plans, and effective scrutiny and challenge of performance provided by Audit and Scrutiny Committee.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

There is openness and transparency in decision-making by the council.

129. The Council has established arrangements to support public access to its decision-making processes, including the live streaming of committee meetings and the publication of agendas, meeting papers, and recordings on the Council website.

130. North Ayrshire council publishes its Annual Accounts on its website, which includes a Management Commentary. The commentary provides an analysis of the council's financial performance and use of resources for the year. The Council has approved and adopted a Local Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). The Annual Governance Statement is approved annually by the Audit and Scrutiny Committee and published on the council's website.

131. In addition, the council website provides access to a wide range of corporate information, including information on the Council Plan, organisational performance, and equality and diversity reporting.

There are appropriate governance and decision-making arrangements in place at the council.

132. Council members and management are responsible for ensuring that effective governance arrangements are in place to support lawful and proper decision-making, safeguard public funds, and promote accountability. These arrangements also enable the council to monitor and assess how efficiently and effectively it uses its resources.

133. An annual review of governance arrangements is reported to the Council. Following the last review in September 2024 the Scheme of Delegation was reformatted to reflect the Council's new directorate structure.

The Council maintains Register of Interests for elected members

134. In accordance with the Councillor's Code of Conduct, each member is required to complete a register of interests. The register is intended to be a public record of interests that might, by their nature, be likely to conflict with a members' role.

135. Maintaining up-to-date registers is essential for public transparency and helps ensure that the Council complies with the requirements of IAS 24 Related Party Disclosures, which require certain interests to be explicitly disclosed in the annual accounts.

136. The Council has processes in place for compiling the register of interests' information including sending out annual reminders to all members to update their information. The audit team observed that several follow-up reminders were sent out by officers during 2025/26. However, some members have not completed their register of interests for 2026.

137. Our audit work found that four members register of interests were not updated during 2025/26 and two of these were last updated in 2022.

138. Members are required by the Ethical Standards in Public Life (Scotland) Act 2000 (Register of Interests) Amendment (No. 2) Regulations 2021 to update entries in the register of interests within one month of circumstances changing. Maintaining up to date registers is important for public transparency, and to ensure the Council meets the accounting requirements of IAS 24 Related Party Disclosures which requires certain interests to be disclosed explicitly within the annual accounts.

Recommendation 3

Register of Interest

Elected members should complete and update their register of interests at least annually, and within one month of any change in circumstances. The council should put arrangements in place to monitor completion rates and ensure the public register on the council website is updated promptly. This will support transparency and help ensure related party disclosures in the annual accounts are complete and accurate.

The council offers a training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars.

139. The Accounts Commission report on “Roles and Working Relationships - Are you still getting it right?” emphasised that Councillors need the skills and tools to carry out their role. This includes training in relation to both Council and ALEO responsibilities, as well as scrutiny, audit and financial decision making.

140. A report on development support provided to members during the period September 2025 to August 2026, included details of attendance rates, feedback from current activities and future planned developments was presented to the August 2026 Audit and Scrutiny Committee. The report noted that the council offers a full training programme for members in addition to e-learning and the opportunity to attend Improvement Service events and webinars. Training covers a wide range of areas including cyber security, safeguarding and councillor duties on outside bodies.

141. The report noted that elected members also have access to e-learning modules on the iLearn system. It concludes that take up of this learning is low. Overall, there were 137 (September 2024 to August 2025: 155) separate Member attendances at development sessions between September 2025 and August 2026. Members attendance ranged from 0 to 13, with approximately 40% of members not attending any training during the period under review.

142. Feedback is sought by electronic means on sessions attended and for the period covered by the report, the response rate was 20%. As part of planning for the 2027 elected member induction programme, a survey was sent out to councillors to gather feedback on the effectiveness of the 2022 programme, only 5 responses were received.

We have previously reflected within the 2024/25 Annual Audit Report on the levels of attendance at member training events. We note that the council offers an extensive development programme for members that are topical, relevant to the council and councillor's responsibilities along with areas of risk to the council. Members should engage with officers to support the training programme through attendance at events, providing feedback and suggesting future areas for development.

Recommendation 4

Members Development

Councillors should actively participate in the development sessions made available to them to enhance their knowledge and understanding of emerging issues, governance requirements, and best practices. Attendance at these sessions will help ensure they remain informed of relevant developments and are equipped to fulfil their roles and responsibilities effectively.

Use of Resources to Improve Outcomes

143. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

There is regular reporting of the council's progress with its Council Plan priorities.

144. The Cabinet is the main decision-making body of the council and as part of its remit, it considers Council performance reporting. The most recent meeting on 1 September 2026 considered the Council Plan year end progress reporting.

145. The Council Plan Progress Report Year End 2025 to 2026 shows how the council is continuing to progress its priorities in line with Best Value legislation in the six months ending 31st March 2026. It is supported by the Local Government Benchmarking Framework Analysis of the April 2026 data release, to show the Council's performance relative to others and learn from other local authorities.

146. There are 47 actions within the Our Council Plan, with one reported directly through the Health and Social Care Partnership (HSCP) and excluded from the report. Of the remaining 46 actions, 45 are on target (green) and one is slightly adrift of target as at Year End.

147. A recommendation was included in the Annual Audit Report for 2024/25 that 'the council needs to set out in advance what criteria have to be met for an 'on target' judgement to be made for each action in the Council Plan'. The Performance Management Strategy (2023-2028 October 2025 Refresh) details how to determine whether an action is on target. This is being used within training to embed a structured approach to performance management across the council at strategic and operational levels.

148. The report shows the progress on the 26 Performance Indicators within the Council framework. At the year-end, 17 were on target, 4 slightly adrift, 4 significantly adrift and 1 with a data only/ status unknown status; this is where a target has intentionally not been set, usually due to the indicator being a new indicator or where the Council can only partly contribute to the outcome. Details of those indicators adrift of target are include in the report.

Best Value audit

Conclusion

The council has effective and appropriate arrangements in place for securing Best Value.

The Management Report on themes prescribed by the Accounts Commission reported the council has a clear asset management strategy in place which is supported by effective governance and accountability arrangements.

The council has effective and appropriate arrangements in place for preparing and publishing statutory performance.

Audit approach to Best Value

149. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value in accordance with statutory guidance, including follow up of findings previously reported in relation to Best Value.

150. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2025/26 was asset management and involved considering how councils are managing their assets to ensure high-quality services while also responding to challenges around financial sustainability and climate change. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value and community planning duties

151. The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate. This judgement is evidenced by:

- the council having well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value.

The council's arrangements and performance in meeting Best Value and community planning duties

152. The council is part of the fourth year of the programme for Controller of Audit reports to the Accounts Commission on the council's performance in meeting its Best Value duties. The Controller of Audit report is available on the Audit Scotland website, with a summary of the conclusions and judgements made in the report outlined below.

- The Accounts Commission were impressed by the council's commitment to securing Best Value, which is clearly at the heart of how it goes about its business. Communities across North Ayrshire should be reassured about how the council plans and manages its finances, and the way in which it is proactively working to address structural budget gaps and contextual challenges, including deprivation and a declining population. The council is self-aware, actively identifies areas for improvement, keen to learn from others' experience, and committed to improving outcomes and reducing inequalities.
- Working with partners across and out-with the region, the council is demonstrating a real willingness to 'think big' and a commitment to sustainable change. While cost saving is a primary driver for its transformation programme, there is strong evidence that it wants to do things differently to improve outcomes and gain wider benefits. Examples like the Solar PV Farms project demonstrate innovation and a desire to impact positively on net zero and fuel poverty targets, even if financial savings are limited.
- The council is an exemplar of how to do transformation well – robust governance, a dedicated investment fund, a well-established and well-resourced in-house team, a track record of delivering savings, and evidence of active collaboration on shared services with the other Ayrshire councils, who face similar challenges. We would urge senior officers and elected members to now confidently push on with this work despite political and structural complexities, ensuring that financial benefits can be realised in the medium term and wider benefits delivered in the longer term, including in relation to economic growth. We expect other councils facing similar challenges to look at what North Ayrshire is doing and how it is doing it in relation to transformation and change.

- Recognised as a sector leader back in 2020, we are impressed that a considered and embedded approach to community engagement and empowerment continues, including successful implementation of participatory budgeting, engagement with young people, long-standing policies on asset transfer, and a new approach to budget consultation which has succeeded in attracting significant input from residents. It is evident that the council has good relationships with its communities and that trust is there, providing strong foundations when politics and decisions get difficult. We would encourage the council to continue to evidence that it is listening to its communities and acting on the results of engagement.
- Like other councils, North Ayrshire faces significant medium-term financial risks, particularly in relation to spending on health and social care. We are encouraged that relationships across the Integration Joint Board (IJB) are positive, and oversight and scrutiny arrangements are robust. These factors will be critical if the necessary savings and recovery actions are to be delivered over the next few years. We also note that the council has used and still plans to use reserves to close funding gaps but has acknowledged that this is not sustainable. We look forward to following progress on how savings are being delivered in future annual audit reports and seeing progress on plans to achieve a sustainable cost base.

153. The point to take forward from the report was around Evidence of ongoing community engagement influencing decision making. There is a range of community engagement activity undertaken across the Council. Details of community engagement are included as part of the Council's performance monitoring arrangements and they include community engagement to support the development of Climate action plans, budget engagement activity, third sector engagement event.

Themes prescribed by the Accounts Commission

154. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2025/26 on the subject of asset management. Conclusions and judgements on the council's approach to asset management are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- North Ayrshire Council has an up-to-date and well-informed asset management strategy that clearly sets out its approach and priorities for managing and developing its assets. It covers a sufficient period enabling strategic planning and is clear about how progress will be monitored and when priorities will be reviewed.
- The council's Corporate Asset Strategy and Plans align with its corporate objectives, new ways of working, the changing needs of

its population, and clearly sets out how net zero commitments will be met.

- North Ayrshire Council, alongside other local authorities, is navigating substantial fiscal pressures that are projected to widen budget gaps in the coming years. However, the Council demonstrates a commitment to assessing affordability whilst navigating substantial financial pressures that are projected to widen budget gaps in the coming years.
- The Council is progressing well with the delivery of its capital programme and asset management plans. North Ayrshire Council's performance against the relevant LGBF asset management indicators has varied over time. The most recent data shows that the council is currently performing above the national average and is ranked within the top quartile nationally for these indicators.
- North Ayrshire Council's performance against the relevant LGBF asset management indicators has varied over time. The most recent data shows that the council is currently performing above the national average and is ranked within the top quartile nationally for these indicators.

155. We did not identify any improvement actions required by the council from, our work and the report was presented to the August 2026 Audit and Scrutiny Committee.

Statutory performance information (SPI) and service performance

156. The Accounts Commission has issued a [Statutory Performance Information Direction](#) which requires the council to publish information that will:

- enable comparisons of performance between councils and over time
- show how well it is improving local outcomes with community planning partners in their area.

157. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing SPI in accordance with the Direction and report a conclusion in the Annual Audit Report.

158. The arrangements the council has in place for preparing and publishing SPI were assessed by considering:

- whether information reported allowed comparison of performance between councils and over time

- the indicators it uses for reporting and whether it maximises use of the Local Government Benchmarking Framework (LGBF) indicators (and explaining the rationale when the LGBF is not used)
- whether information reported was balanced, timely, and accessible
- whether information reported covered the four key areas set out in the Schedule to the Direction.

159. The Council has appropriate arrangements in place for preparing and publishing performance information. North Ayrshire Council has an established process for reporting on the performance indicators within its framework. With mid-year and year-end reporting to Cabinet.

160. North Ayrshire Council also publishes performance information through an online interactive Power BI performance dashboard as well as the use of 'magazine' style reports that provide information on performance across services on the Council website.

161. The performance dashboard also links to the LGBF benchmarking tool and the Council aligns its performance indicators with the LGBF to enable comparison of performance with other local authorities across Scotland.

The council's performance from national benchmarking data shows improvement over time but performance is mixed when compared to the prior year with 50% of indicators improving whilst performance declined for 27%

162. The Local Government Benchmarking Framework (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

163. The Council Plan year-end progress reporting taken to the 1 September North Ayrshire Council includes data on the Local Government Benchmarking Framework provides a clear summary of North Ayrshire's performance.

164. For the reportable indicators 51% were recorded within the top two quartiles for the most recent data compared with 50% in the base year (generally 2010/11). When compared to the most recent year, 50% of indicators have improved, with performance declining in 27% of indicators and 23% remaining unchanged overall.

165. The Accounts Commission also requires auditors to report a summary of the LGBF indicators the council has reported, which can be seen in [Exhibit 11](#).

Exhibit 11**Summary of LGBF indicators the council has reported**

	Cost indicators %	Performance indicators %	Satisfaction indicators %	All indicators %
Movement in last year				
Improved	70%	42%	73%	55%
Stayed the same	15%	25%	18%	23%
Declined	15%	33%	9%	27%
Movement since base year				
Improved	60%	67%	0	59%
Stayed the same	0	8%	0	6%
Declined	40%	25%	100%	35%
Indicators in the top two quartiles				
Most recent year	45%	53%	45%	51%
Base year	45%	51%	55%	50%

Source: LGBF at 8 September 2026

166. [Exhibit 11](#) shows that overall, LGBF performance has improved since the base year, with 59% of all indicators improving and 51% now in the top two quartiles. However, satisfaction indicators show a significant deterioration, with 100% declining since the base year.

167. Indicators where the council has seen the most significant improvements or worsening of performance include:

- The Average Total Tariff Score of the school leavers from the most SIMD deprived 20% of Scottish data zones in 2025 was 681 points. This is a 3.2% increase on last year and is also above the Average Total Tariff Score of school leavers from similar SIMD areas in the whole of Scotland (676 points).
- The Average Total Tariff score for 2025 school leavers published in the March 2026 edition of the national Insight benchmarking tool was 864.4 tariff points. This is an increase of 2.8% compared to the

previous year. North Ayrshire school leavers also outperform the national figures across a range of SIMD deciles.

- Total installed capacity of low carbon heat and electricity generation across council's estate. Target was 30,137, the numbers achieved was 30,230 for 2025/26.
- Proportion of operational buildings that are suitable for their current use; the 2025/26 target was 93% and 95.2% was achieved.

168. The Council is committed to improving areas where performance is ranked as low when compared to other councils or its own targets. The Council plan progress update (Year end 2025 to 2026) includes an action tracker that closely monitors progress and the criteria for determining the status of actions are set out in the Performance Management Strategy.

169. Given the service demand and cost pressures facing councils it is unlikely that the council will be able to maintain performance across all the services they currently provide in the medium to longer term. This means that councils will need to make increasingly difficult choices about what their service and performance priorities are.

170. The LGBF data should continue to be used alongside the council's own performance management framework as well as its engagements with communities to assess local performance and priorities. This will provide a breadth of data to inform and identify where improvements and better outcomes for communities can be achieved.

Progress against previous Best Value findings and recommendations

171. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and in Best Value reports published by the Accounts Commission, which are based on Controller of Audit reports.

172. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#), with 1 of the 4 recommendations made being implemented to date, and progress being made with 3 recommendations. Overall, the pace and depth of improvements resulting from the recommendations is positive, with many improvements occurring quickly after the recommendations were implemented.

The Council has appropriate arrangements in place in respect of fairness and equality

173. The Audit Planning Guidance sets out a requirement for audit work to be carried out on Fairness and Equality Best Value characteristic at least once during the audit appointment.

174. Our work identified that the Council demonstrates that it meets the requirements of the equality legislation and has a culture which encourages equal opportunity. In line with legislation, the Council reports on progress on how it meets the UK equality Act General Equality Duty and the Scottish Government's Specific Equality Duties every two years.

175. The Council demonstrates a continuous improvement in encouraging a culture of equal opportunities, an example of this is in its decision to treat 'Care – Experienced' as an additional local protected characteristic. This was in recognition of the many barriers and inequalities faced by people who identify as 'Care-Experienced.'

176. Consultations were undertaken with staff during the development of the 2025 – 2029 Equality Outcomes and Equality awareness is included in induction training for both officers and Elected Members. Employees are required to complete a mandatory Equality and Diversity Awareness course on an annual basis. Specialist training is also available for officers required to carry out Equality and Children's Rights Impact Assessments via an online module and face to face training.

177. The Council has a dedicated Equalities and Inclusion Officer to facilitate and take forward equality and diversity work across the Council. There are also a number of other officers in services, whose work directly supports the equality agenda. e.g. the Connected Communities team regularly engage and support various community groups from LGBT issues to age or refugee groups.

178. North Ayrshire Council demonstrates that equality considerations are mainstreamed into its strategic planning and processes in a number of ways. The Council Plan 2023 – 2028 has the vision "A North Ayrshire that is fair for all. It clearly states that its mission is working together to improve the lives of the people in North Ayrshire and was developed alongside the local community.

179. Equalities implications are included in every committee report to provide officers with the opportunity to highlight any equality related issues arising from the subject of the equality paper.

180. The Council collects information and data on the impact of policies on different equality groups to help inform future decisions and it considers the views of different equality groups in making decisions. Examples of its extensive engagement with local communities include during the 2025/26 and 2026/27 Budget Consultation process.

181. The engagement took the form of surveys and focus groups covering key themes for savings, to make it easier for residents to respond, for example the 2026/27 survey was separated into proposed savings for 'Schools and related services for Children and Young People' and 'Other Council Services'. Surveys could be completed on paper, online or via the Customer Contact Centre (telephone). The survey asked residents about

potential impacts on protected characteristic groups and asked about personal demographic information; this was used by services to help inform impact assessments for budget proposals.

182. Equality Outcomes are reported to Cabinet and Audit and Scrutiny every two years, via the Executive Leadership Team (ELT). The actions and indicators are reviewed on an on-going basis throughout the life of the Equality Action Plan. Activities supporting equality and diversity are also captured through Council Plan priorities and reported at Mid-Year and Year End through the ELT, Cabinet and Audit and Scrutiny Committee.

Appendix 1

Action plan 2025/26

2025/26 Recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1.Location factor Location factors used in the valuation and indexation calculations for non-current assets The council used the January BCIS location factor of instead of the March location factor of in the valuation of depreciated replacement cost (DRC assets) for the 2025/26 accounts in order to facilitate the timeous preparation of the annual accounts. The impact was not material in 2025/26 but there is a risk that it could be material in future, depending on the difference between the location factors and the values of the assets revalued.	The council should ensure that the March location factor is used within the indexation and valuation calculations. calculate	Accepted The Council will incorporate the provisional mid-March location factors into the year-end valuation process. Responsible officer Head of Service (Laurence Cree) Agreed date 31 March 2027.
2. Heritage asset ownership The council were unable to provide evidence that, Trinity Mirror and Shards, a heritage asset with a value of £0.127m, was owned by North Ayrshire Council.	The council should continue its work to confirm ownership of the asset.	Accepted The Council will continue its work to confirm ownership of the asset. Responsible officer Head of Service (Aileen Craig) Agreed date 31 March 2027.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3.Register of Interests Register of interests for all members should be completed regularly and the council website updated to reflect this on a timely basis.	The council should ensure that all elected members complete and update their register of interests on a regular basis, including prompt updates where circumstances change. The council should also ensure that the public register on its website is updated on a timely basis to support transparency and compliance with related party disclosure requirements.	Accepted The Council will add an additional step to internal processes whereby any register of interests not returned will be escalated to Head of Finance. Responsible officer Head of Service (Finance) Agreed date 31 March 2027
4. Members development Councillors should actively participate in the development sessions made available to them to enhance their knowledge and understanding of emerging issues, governance requirements, and best practices. Attendance at these sessions will help ensure they remain informed of relevant developments and are equipped to fulfil their roles and responsibilities effectively.	The council should put arrangements in place to support positive engagement by councillors with training and development sessions. Officers should also ensure that any mandatory training requirements are clearly identified and communicated as such.	Accepted The Council will continue to engage with Elected Members and promote attendance at the Elected Members Development Programme scheduled throughout the year which provides opportunities for regular development on key topics. Responsible officer Head of Service (Aileen Craig) Agreed date 31 March 2027

2025/26 Recommendations for charities administered by North Ayrshire Council

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
5. Dormant Trust Six charitable trusts have been dormant for six years or more, and there is no clear plan to bring them back into use. As a result, there is a risk that the trusts are not meeting public benefit requirements.	The Council should look to progress plans to use up the funds of relevant trusts and seek approval from OSCR for the disbursement of any remaining capital and winding up of these Trusts.	Accepted Finance will engage further with Connected Communities to promote utilisation of dormant funds. Responsible officers Head of Service (Finance) and Head of Service (Rhonda Leith). Agreed date 31 December 2026.

Progress against Controller of Audit Report findings - 2025

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1.Evidence of ongoing community engagement influencing decision making The council should continue to evidence that it is engaging with its communities and acting on the results of findings.		Management response: A range of community engagement activity continues to be undertaken across the Council. Details of which are included as part of the Council's performance monitoring arrangements Responsible Officer: Head of Service (Connected Communities) and Head of Service (Finance) Action by: 31 March 2027

Follow-up of prior year recommendations, including any previous Best Value report findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. A number of significant amendments have been required to the Annual Accounts to ensure in particular that non-current asset figures are fairly stated.	Management response: A full review of capital accounting year end procedures will be carried out during 2025-26. This will include the procedures for reviewing information provided by the Council's valuation team and the use of external valuers. Responsible Officer: David Forbes, Senior Manager - Finance and Revenues Action by: 31 March 2026	Auditor Observation - Ongoing Some improvement was noted however several amendments were required in the 2025/26 accounts. Year-end procedures should include evidenced review of asset classification, and management's assessment as to the reasonableness etc of the valuer's assumptions, including the location factors used in DRC valuations and indexation. Council response – Progress Full review of procedures was carried out during 2025/26. Natalie Graham, Senior Manager - Corporate Finance, Capital & Treasury Action by: 31 March 2027

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Impairment of non-current assets Accounting standards require the council to assess at the end of each financial year whether there are any indications an asset is impaired. Most assets are valued at least every five years and generally when valued, each asset is subject to a physical inspection. There are however some assets that are never revalued. The council's impairment review is largely limited to assets revalued and should be made more robust and comprehensive.	Management response: Under current procedures, an impairment review is carried out for all assets valued within the financial year. In addition, the valuation team undertakes an annual impairment review to determine if any assets not revalued in year are subject to material change. The Accounting Policies in relation to asset impairment will be reviewed and enhanced to provide clear reference to the impairment review process. Responsible Officer: David Forbes, Senior Manager - Finance and Revenues Emma Mulholland, Team Manager - Estates Action by: 31 March 2026	Implemented The accounting policy in relation to asset impairment has been enhanced to provide clear reference to assets not formally valued in year. Evidence of the 2025/26 impairment review process was provided.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
3. Progress on Council Plan actions. The council does not set out in advance what criteria have to be met for an ‘on target’ judgement to be made for each quarter, relying instead on updates from individual teams leading on the strategies and other supporting evidence (including ‘Next Steps’ from the previous report). If the ‘Next Steps’ actions were SMART it might be possible to analyse whether all the relevant ones within the time period had been met and that could feed into whether an action was on target.	The Performance Management Strategy is being revised and will be presented to the Audit and Scrutiny Committee on 20th November 2025. This public facing strategy will contain details of how to determine the status of Council Plan actions based on existing strategies and next steps. This approach will be supported by additional training for teams providing updates during 2026. The Council Plan Progress Reports will include SMART next steps. These next steps will be recorded within our performance management system to track their status transparently and inform the status of Council Plan actions. Responsible Officer: Isla Cruickshanks, Senior Manager – Policy, Performance & Democracy Action by: 20 November 2025	Implemented. The Performance Management Strategy was refreshed in October 2025 in and it details how to determine whether an action is on target. This is being used within training to embed a structured approach to performance management across the council at strategic and operational levels.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. BV thematic report - Transformation savings The council's latest MTFO identifies a structural funding gap of £46.7m (including HSCP pressures) which must be addressed as part of the council's Medium-Term Financial Plan. Whilst we recognise that transformation alone will not offer the full solution to the financial gap identified in the MTFO, the level of financial efficiencies from the Sustainable Change Programme should be commensurate with the scale of the financial challenges.	The council should ensure its plans are sufficiently ambitious to respond to its financial challenges. It should clearly set out the extent to which savings from transformation will help address the budget shortfalls set out in its Medium-Term Financial Plan.	Auditor Observation - Ongoing Work on achieving this is ongoing with a number of operational savings identified and measures such as increases in council tax as well as the introduction of special measures in the HSCP. The agreed action date for this is March 2029. Council response – Progress Details of Transformation progress continue to be governed through the Council's Transformation Board. Further Plans to support the 2027/28 Budget continue to be developed Responsible Officer Head of Service (Finance) Action by March 2029

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
5. BV thematic report – Transformation reporting progress The council does not currently report publicly on how it is progressing with delivering transformation as a whole in terms of planned and realised financial and non-financial benefits.	To provide assurance to elected members and the public about how the council plans to change to sustain services in the future the council should report publicly on how it is progressing with delivering transformation, as a whole, in terms of planned and realised financial and non-financial benefits.	Auditor Observation - Ongoing The council published a Council Plan Six Monthly Progress report – 1 April 2025 to 30 September 2025 on a dedicated webpage, which includes updates on the Transformation Programme. This could be enhanced by including planned and realised financial and non-financial benefits. The agreed action date for this is March 2027. Council response – Progress Incorporated into the Council's performance reporting framework and presented on a dedicated webpage which includes progress on transformation activity Responsible Officer Head of Service (Finance) Action by March 2027

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
6. BV thematic report – Workforce innovation – Joint Workforce arrangements There is scope for the council to explore further where it can work together with partners to share services and increase collaboration.	The council should explore further where it can work together with partners to share services and increase collaboration.	Council Response - Ongoing A Shared Services Leadership Group has been established across North, East and South Ayrshire Councils. On 1 July 2026 a shared Economic Development service was implemented with North and East Ayrshire Council. Further work is being progressed to assess shared service opportunities across a range of functional areas. Following the launch of the Scottish Government Programme for Government, Ayrshire councils will engage with Scottish Government to consider further regional collaboration opportunities. Responsible Officer: Agreed date:
7. BV thematic report – Workforce innovation – Measuring the impact of workforce planning The council could improve how it monitors the effectiveness of its workforce planning practice by regularly reporting progress against workforce planning priorities.	In addition to providing general workforce planning updates, the council should regularly report its progress against its workforce planning priorities to elected members through its Council Plan updates or other means.	Implemented. The refreshed Workforce Strategy 2024–2028 developed corporate actions which are included on the council’s performance management system. The actions are updated and reported on a six-monthly basis. The action updates, together with a separate explanatory workforce planning update, are provided in the Council Plan performance report which is reported to Cabinet and the Audit & Scrutiny committee.

Appendix 2

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026
Transforming the approach to climate change: Lessons from public audit	19 March 2026

North Ayrshire Council

2025/26 Annual Audit Report



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