

Item: 9

Monitoring and Audit Committee: 25 September 2025.

Internal Audit – Pickaquoy Centre Trust – Service Agreement.

Report by Chief Internal Auditor.

1. Overview

- 1.1. The internal audit plan 2025/26 includes a review of the Pickaquoy Centre Trust Service Agreement, this audit has been completed and the internal audit report is attached as Appendix 1 to this report.
- 1.2. The Service Agreement forms the basis of the contractual arrangement between the Council and the Pickaquoy Centre Trust. It is based on the requirement under Section 14 of the Local Government and Planning (Scotland) Act 1982 for the Council to ensure there is adequate provision of facilities for the inhabitants of their area for recreational, sporting, cultural and social activities.
- 1.3. This audit was requested by the Director of Education, Communities and Housing and the objective of this audit was to assess the effectiveness of current arrangements in place whilst considering future requirements.
- 1.4. The audit provides Adequate assurance around the effectiveness of current arrangements and future requirements of the Pickaquoy Centre Trust Service Agreement.
- 1.5. The internal audit report, attached as Appendix 1 to this report, includes two medium priority recommendations regarding risk management and clarifying health and safety responsibilities. There are also six low priority recommendations which are intended to inform the next service agreement.

2. Recommendations

- 2.1. It is recommended that members of the Committee:
 - i. Scrutinise the findings contained in the internal audit report, attached as Appendix 1 to this report, relating to the effectiveness of current arrangements and future requirements of the Service Agreement with Pickaquoy Centre Trust , in order to obtain assurance that action has been taken or agreed where necessary.

For Further Information please contact:

Andrew Paterson, Chief Internal Auditor, Extension 2107, email
andrew.paterson@orkney.gov.uk.

Implications of Report

1. **Financial:** None directly related to the recommendations in this report.
2. **Legal:** None directly related to the recommendations in this report.
3. **Corporate Governance:** In terms of the Scheme of Administration, consideration of Internal Audit findings and recommendations and to review actions taken on recommendations made, is a referred function of the Monitoring and Audit Committee.
4. **Human Resources:** None directly related to the recommendations in this report.
5. **Equalities:** An Equality Impact Assessment is not required in respect of Internal Audit reporting.
6. **Island Communities Impact:** An Island Communities Impact Assessment is not required in respect of Internal Audit reporting.
7. **Links to Council Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Council Plan strategic priorities:
 - ☐ Growing our Economy.
 - ☐ Strengthening our Communities.
 - ☐ Developing our Infrastructure.
 - ☐ Transforming our Council.
8. **Links to Local Outcomes Improvement Plan:** The proposals in this report support and contribute to improved outcomes for communities as outlined in the following Local Outcomes Improvement Plan priorities:
 - ☐ Cost of Living.
 - ☐ Sustainable Development.
 - ☐ Local Equality.
 - ☐ Improving Population Health.
9. **Environmental and Climate Risk:** None directly related to the recommendations in this report.
10. **Risk:** Internal Audit evaluates the effectiveness and contributes to the improvement of the risk management processes.
11. **Procurement:** None directly related to the recommendations in this report.
12. **Health and Safety:** None directly related to the recommendations in this report.
13. **Property and Assets:** None directly related to the recommendations in this report.
14. **Information Technology:** None directly related to the recommendations in this report.
15. **Cost of Living:** None directly related to the recommendations in this report.

List of Background Papers

Internal Audit Plan 2025/26.

Appendix

Appendix 1: Internal Audit Report – Pickaquoy Centre Trust Service Agreement.

Internal Audit

Audit Report

Pickaquoy Centre Trust Service Agreement

Draft issue date: 19 June 2025

Final issue date: 11 August 2025

Distribution list:	Director of Education, Communities and Housing Director of Infrastructure and Organisational Development Head of Community Learning, Leisure and Housing Service Manager (Leisure and Culture) Service Manager (Property and Capital Programme) Managing Director, Pickaquoy Centre Financial Controller, Pickaquoy Centre
---------------------------	---

Contents

Audit Opinion	1
Executive Summary	1
Introduction	2
Audit Scope.....	2
Audit Findings	3
Action Plan.....	14
Key to Opinion and Priorities.....	17

Audit Opinion

Based on our findings in this review we have given the following audit opinion.

Adequate

Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.

A key to our audit opinions and level of recommendations is shown at the end of this report.

Executive Summary

The internal audit of the Service Agreement with the Pickaquoy Centre Trust (PCT) was conducted to assess the effectiveness of current arrangements in place whilst considering future requirements.

This audit acknowledges the valuable contributions of the PCT to the Council's strategic objectives, particularly in health, wellbeing and community engagement. Overall, the PCT is meeting requirements as set out in the current Service Agreement and there are robust monitoring arrangements in place overseen by Council officers. However, to maintain and enhance this partnership some improvements have been recommended when considering future arrangements.

During the audit, we found examples of good practice including:

- The Service Agreement between the Council and PCT outlines clear financial commitments, governance expectations and monitoring mechanisms.
- Financial reporting is robust, with audited accounts and monthly management reports providing transparency and assurance.
- Health and Safety procedures are well-established at the Centre, with risk assessments and operational checklists in place.
- The PCT demonstrates strong community engagement, supporting inclusion, accessibility and wellbeing initiatives.
- Strategic partnerships with NHS Orkney, sportscotland and others enhance service delivery and community impact.

The co-operation of all officers involved in the audit is gratefully acknowledged. Their willingness to provide detailed information and documentation, all while preparing for Orkney's first Island Games, significantly contributed to the audit process.

The report includes eight recommendations which have arisen from the audit. The number and priority of the recommendations are set out in the table below. The priority headings assist management in assessing the significance of the issues raised.

Responsible officers will be required to update progress on the agreed actions via the Ideagen Risk Management system.

Total	High	Medium	Low
8	0	2	6

Introduction

The agreement for the Provision of Services known as the Service Agreement (SA) forms the basis of the contractual arrangement between the Council and the Pickaquoy Centre Trust (PCT). It is based on the requirement under Section 14 of the Local Government and Planning (Scotland) Act 1982 for the Council to ensure there is adequate provision of facilities for the inhabitants of their area for recreational, sporting, cultural and social activities.

The Council has agreed to make payments to the PCT for the supply of services as detailed in the SA. The term of the agreement in place was for 3 years commencing on 2 July 2019 and this was extended until September 2025. The extension was agreed while a consultant-led review of the provision of the sport and leisure service takes place. A short-life member/officer working group has been established to consider the findings of the review.

The Council agreed to pay the PCT a management fee of £0.792M for 2023/24 to deliver a range of services, subject to the performance targets as set out within the SA being met. In accordance with the Code of Guidance on Funding External Bodies and Following the Public Pound, the Council has a duty to ensure adequate stewardship of Council funds at all times.

This audit is intended to inform the short-life member/officer working group who are reviewing the next service agreement.

This review was conducted in conformance with the Global Internal Audit Standards in the UK Public Sector.

Audit Scope

The scope of this audit included the following:

- Examine whether the SA reflects the Council's 'Funding External Bodies and Following the Public Pound' policy which was reviewed in 2023 based on the Code of Guidance developed jointly by COSLA and the Accounts Commission.
- Examine the actual service performance for 2023/24 against the Service Agreement.
- Investigate the financial and non-financial information provided to the Council by the PCT and ascertain that it is in accordance with the requirements of the SA.
- Investigate the monitoring and review arrangements to confirm they are being carried out in accordance with the SA.
- Check whether there have been any service variations, and if there have been, that they have been made in accordance with the SA.
- Check that the Plant and Equipment maintenance responsibilities are operating in accordance with the SA.
- Assess the SA against current and future requirements and check that it is in line with the Council, Directorate and Service Plans.

Audit Findings

1.0 Following the Public Pound

- 1.1 The Code of Guidance on Funding External Bodies and Following the Public Pound (the Code) is a national guideline and the Council is obliged to fulfil its requirements, including:
- Consistency with Council objectives and principles of Best Value.
 - Minimum standard of management arrangements in place.
 - Monitoring arrangements clearly stipulated.
- 1.2 Under the Council's 'Following the Public Pound' policy (2023), for payments made of over £10,000 to an Arm's Length Organisation (ALEO), such as the Pickaquoy Centre Trust (PCT), a written Service Level Agreement (SLA) is required to be in place between the Council and the external body, covering the requirements stated in the Code, prior to the commencement of the provision of services by the external body.
- 1.3 The service agreement is included within the Council's Following the Public Pound register and annual Service 'mini' registers are submitted by services which include a column confirming that the ALEO funding aids the achievement of council objectives as set out in the policy.
- 1.4 Part of the audit has involved reviewing the Service Agreement against Following the Public Pound guidance as well as against recommendations made by Audit Scotland in their 2018 report on Councils' use of arm's-length organisations including the requirement for Councils to ensure that they oversee the performance, financial position, and associated risks of ALEOs.

2.0 Purpose

- 2.1 When agreeing to transfer funds to an external body, a council must be clear about its reasons for doing so. The Service Agreement in place with the PCT begins with aims and priorities which, at the time of the last agreement review in 2019, met the objectives of the Council. Since 2019, there have been changes to Council Plans and relevant strategies mentioned in the Service Agreement. However, many of the aims and priorities would fit in line with current objectives related to the following plans:
- Council Plan 2023-2028 – measure of success includes the percentage of adults taking part in some form of sport or exercise, including walking, in previous four weeks.
 - Council Delivery Plan 2023-2028 – delivery milestones for 2023/24 included establishing a social prescribing programme, partnership with sportscotland and developing a Physical Activity and Wellbeing Strategy for Orkney.
 - Orkney Community Plan 2025-30 – community wellbeing as well as population health are priorities.
 - sportscotland Strategy – a vision for an active Scotland where everyone benefits from sport.
- 2.2 The Physical Activity and Wellbeing (PAW) Strategy has recently been presented to the Education, Leisure and Housing Committee in June 2025 along with an Action Plan. The Pickaquoy Centre Trust was a partner in its creation along with the Council, NHS Orkney, sportscotland, Public Health Scotland, Voluntary Action Orkney (VAO), Orkney Community Planning Partnership (OCP) and Orkney 2025.

- 2.3 The PCT is a significant part of the PAW Strategy. The PCT is leading on 6 of the key emerging actions required to achieve objectives as part of the PAW Strategy. They are also listed as supporting 32 of the tasks required to achieve the key emerging actions identified. This represents 39% of the total tasks required. It will be important that any future service agreement reflects the PAW strategy.
- 2.4 Within Appendix E of the Service Agreement, performance monitoring is to include the Trust's contribution to the achievement of the Council's aims and objectives as set out in the following strategic documents:
- Orkney Islands Council Plan 2018-23.
 - Pitch and Facilities Strategy.
 - Physical Activity and Sport Strategy.
 - Community Planning Partnerships.
 - Living Well.
 - Strong Communities.
- There is also an agenda for the monthly meeting and a series of performance indicators relating to the number of participants for a range of activities.
- 2.5 As already stated, there have been changes to strategies and plans and the performance indicators for usage figures are no longer used as a measure. Usage figures are now compared with the year previous, reporting on any variance and providing a narrative for any changes.
- 2.6 As part of a previous internal audit of the Pickaquoy Centre Trust, it was recommended that the Service Agreement be reviewed annually to ensure that the Council's objectives were being met and there continued to be a clear purpose for funding. This would support the Following the Public Pound Code of Guidance which states that in addition to aims or goals, the service agreement should also contain clear targets with timescales and methods of measurement whenever possible. The current service agreement has not been reviewed since its renewal in 2019.
- 2.7 We recommend that any future Service Agreement is reviewed annually to ensure that it reflects current strategies and to ensure that performance indicators for the year ahead are specific, measurable, achievable, relevant and time-bound, wherever possible.

Recommendation 1

3.0 Financial Regime

- 3.1 Within the Service Agreement, the Council's financial commitment to the PCT is clearly stated. The agreement specifies that payments are contractual and tied to service delivery as well as including provisions for asset responsibilities and end-of-agreement procedures.
- 3.2 The agreement outlines minimum standards of management such as governance expectations, staffing and employment standards, audit and inspection rights, insurance and risk management.
- 3.3 In terms of accounting and audit requirements, the Trust must provide audited accounts annually, co-operate with internal and external audits and maintain detailed financial records which are submitted in monthly reports.

- 3.4 The latest accounts provided to the Council (2023/24) include an independent auditor's report which state that in their opinion, the financial statements:
- gave a true and fair view of the state of the charity's affairs as at 31 March 2024 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
 - had been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
 - had been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.
- The conclusion was that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements was appropriate.
- 3.5 The internal audit function of the Council is able to place reliance on the assurance of the external auditors under the right conditions and therefore this work has not been duplicated.
- 3.6 Monthly accounts are provided as part of a management report which is provided to Trustees and sent to the nominated Council officer. This report contains a narrative from the financial controller.
- 3.7 In the financial year 2023/24, there was a small surplus of £17,082, with incoming resources rising from £2,650,907 in 2022/23 to £2,990,828, even with income from donations and grants falling from £852,359 to £848,760.
- 3.8 Expenditure on charitable activities during the financial year 2023/24 decreased by £280,023 from £3,230,951 in 2022/23 to £2,950,928 in 2023/24.
- 3.9 At the time of this audit report, the 2024/25 accounts have been released in draft to the Council and will be published later in the year. These are made public and are available on the Pickaquoy Centre website which provides transparency on how public funds are spent.
- 3.10 In February 2024, the Policy and Resources Committee recommended indicative savings targets spanning three years. This included savings of £3.455 million for Education, Leisure and Housing over the three years. As part of this, the budget for 2025/26 includes a reduction in the management fee for the Pickaquoy Centre of £37,000. This will be reviewed as part of the Council budget setting process for 2026/27 and 2027/28.
- 3.11 Continuing to manage the current level of service provision and meeting future requirements of a renewed service agreement may not be possible with reduced funding and the Trust will need to review provision and prioritise based on the objectives set by the Council within the resources available.
- 3.12 Usually, due to the Council receiving year on year funding from the Scottish Government, this limits their ability to provide medium and long-term funding forecasts to the Trust. Budget setting at the Pickaquoy Centre is done annually in detail and is profiled across the year, covering the different departments. This is the mechanism by which the PCT management team plans the year ahead and this is done once the yearly management fee provided by the Council is known.
- 3.13 The requirement to provide a yearly business plan for committee approval was removed when the service agreement was reviewed in 2019 and this is no longer in place as a means of communicating future plans. Although strategic decisions are taken to ensure the

achievement of aims and priorities set out in the Service Agreement, there is no medium or long-term plan or strategy in place for the Trust with the reason being mainly linked to uncertainty around funding.

- 3.14 Within the Council's Following the Public Pound Policy, reports from ALEOs should contain information on proposed targets and future plans.
- 3.15 We therefore recommend that a mechanism for reporting future plans and proposed targets is explored as part of the next Service Agreement.

Recommendation 2

4.0 Monitoring Arrangements

- 4.1 In addition to requirements for how the Trust will operate, the Council also stipulates how it intends to monitor the relationship between itself and the Trust.
- 4.2 The nominated Council officer who is responsible for monitoring this relationship is the Service Manager (Leisure and Culture). They are appointed to act as the primary liaison between the Council and the Trust. Monthly meetings are held between the Council Officer and the Managing Director of the Pickaquoy Centre. In addition, there have been a number of PCT Monitoring Meetings held which have involved Councillors, Council Officers, Pickaquoy Management and Trustees. These were held in the lead up to the budget setting process to look strategically at the Pickaquoy Centre performance and operations when considering savings being applied to future management fees.
- 4.3 The Service Agreement could be improved in terms of clarifying lines of communication. To strengthen the existing partnership and ensure a consistent communication structure, we recommend that the next service agreement requires that all formal communication between the Pickaquoy Centre Trust and the Council be directed through the nominated Council Officer. Through this, key decisions and operational matters can be appropriately recorded and actioned to support the Council in fulfilling its oversight responsibilities.

Recommendation 3

- 4.4 Reporting mechanisms are included within the Service Agreement along with the nature and frequency of these.
- 4.5 The reports required under the Following the Public Pound Policy include:
- Evidence of receipt of funding.
 - Evidence of payments made.
 - Aims and objectives of the organisation and how they have been met.
 - Whether the standards and objectives set by the Council have been met.
 - The proposed targets and future plans.
- 4.6 As the management fee paid to the PCT is above £25,000, reporting is required on a quarterly basis.
- 4.7 Detailed monthly 'Management Team Update' reports are provided to the Council Officer which contain financial information and narrative, usage figures with narrative, staffing updates, health and safety updates, marketing updates, repairs and maintenance, utilities, updates on the partnership with NHS Orkney, inclusion and accessibility and details of upcoming Trust meetings.

- 4.8 An annual performance report is presented to the Education, Leisure and Housing Committee to provide assurance that the aims and priorities as detailed in the Service Agreement are being met. This is in a format which links directly to the aims and priorities, provides a financial summary, results of customer surveys and reports on usage performance indicators against the performance of the previous year. Overall, in the 2023/24 performance report, there had been an increase of 5.7% in the number of participants accessing the facility.
- 4.9 We reviewed the performance report and were able to verify, through sourcing evidence, the services provided in line with the aims and priorities of the agreement including testing a sample of reported usage figures for accuracy.
- 4.10 Proposed targets and future plans are not included as standalone sections within the reports currently provided. However, future plans are included within the standing monthly agenda for monitoring meetings. Recommendation 1 addresses the setting of performance targets and Recommendation 2 addresses reporting on future plans.
- 4.11 There were no significant service variations to the service agreement requested during the period of the audit.

5.0 Health and Safety

- 5.1 The priority listed at 2.1.1 of the Service Agreement is to 'Provide facilities that comply with Orkney Islands Council's Health and Safety legislation and statutory guidelines'. Within the annual performance report, it is reported that the Council reviews and audits all HSE matters. We reviewed what monitoring is undertaken of Health and Safety matters by the Council and reviewed operational procedures in place at the centre to ensure that they are regularly reviewed.
- 5.2 The Council's Environmental Health team have recently conducted a focused inspection based on Health and Safety Executive national priorities for 2025-26. This is not a requirement as part of the Service Agreement, however it provides another level of assurance.
- 5.3 The Senior Duty Officer for Sport and Leisure conducts quarterly audits of environmental conditions at the Pickaquoy Centre and these are reported to the nominated Council Officer. These also include air and water checks, heating and ventilation, lighting and grounds maintenance as specified in Appendix G of the Service Agreement.
- 5.4 Within the same monitoring report, there are also requirements to confirm the receipt of:
- Audited accounts.
 - User surveys for the fitness room, campsite and customer survey.
 - Health and safety documentation, including risk assessments and fire risk assessment.
 - Insurances.
 - Licences.
- 5.5 As part of the monitoring process, the Council Officer responsible requests assurance from the PCT that the appropriate documentation is in place. As part of the audit, insurance certificates, licences and a sample of risk assessments were tested to verify that what is in place is regularly reviewed and updated. All were in place as required and the risk assessments had been recently reviewed by management at the Pickaquoy Centre.

- 5.6 The management team at the Pickaquoy Centre have developed policies, training, systems and procedures in order to ensure that Health and Safety is a priority, including the recent development of an internal Health and Safety committee.
- 5.7 There are daily, weekly and monthly checklists in place and within operational procedures, the roles and responsibilities of staff members at all levels are made clear. Duty Managers at the centre use an app to track and monitor required checks and address anything outstanding. This system is overseen by the Operational Managers.
- 5.8 Overall, the Council and the Pickaquoy Centre Trust have demonstrated a proactive approach to Health and Safety Management, with monitoring, regular audits and well-established procedures that provide assurance in meeting requirements of the Service Agreement.
- 5.9 Whilst the PCT is meeting requirements of the Service Agreement with regards to Health and Safety Management and there is monitoring undertaken by Council Officers which covers the aspects detailed within, the Council do not currently audit all Health and Safety matters. We recommend that for the next Service Agreement, there is clarification of the Health and Safety responsibilities of both parties.

Recommendation 4

6.0 Repairs and Maintenance

- 6.1 Within the Service Agreement, there is an appendix covering maintenance responsibilities. The division of responsibilities is made clear within the section. The process at the Pickaquoy Centre is for all faults and maintenance requirements to be reported to the in-house Maintenance Team who either complete the required works in-house, refer to Galliford Try if the works are related to the swimming pool or squash courts or contact the Council's helpdesk where required under the agreement. There is a maintenance log in place to record requests, reference numbers where these have been reported to Galliford Try and the Council, level of priority and any notes related to the progress of works. A RAG (Red, Amber, Green) system is used to indicate the progress of planned and reactive maintenance.
- 6.2 At section 44 of the Service Agreement, there is a requirement of the Trust to ensure that regular inspections and maintenance as per the schedule in Appendix F are carried out and recorded as a matter of routine. This is to be monitored by a monitoring officer appointed by the Council for matters relating to the squash courts and swimming pool. Within the quarterly monitoring audits completed by the Senior Duty Officer, if there are maintenance issues affecting the environmental conditions in the swimming pool, these are reported on the checklist.
- 6.3 As part of the monthly management reports, repairs and maintenance issues are detailed along with the progress towards rectifying these. These tend to cover more significant issues which is an appropriate approach for that level of detail.
- 6.4 Within the maintenance log, we identified many works recorded as a 'Red' (awaiting initial action) and 'Amber' (Job in hand but still requiring work) after a significant period of time i.e. 6 months. Discussions with the management team at the PCT revealed that the log may not reflect the current status of the requests recorded and that many will have been completed but not marked as such. With a focus on many additional works requested ahead of the Island Games, this has reduced the capacity of the maintenance team to update the spreadsheet log. Some of the jobs have been reported to Galliford Try or the Council and this log is regularly reviewed with operational managers and the maintenance team as part of a six-weekly meeting.

- 6.5 We recommend that the maintenance log is kept up-to-date to reflect the status of repairs and maintenance works. We also recommend that the inclusion of the number of works outstanding recorded in the maintenance log and their corresponding rating in the monthly management report is considered. This would provide an additional means of communicating progress on actions outstanding relating to repairs and maintenance.

Recommendation 5

- 6.6 Within Section 43.3.1 of the Service Agreement, it states that 'anticipated closures will be detailed in the Annual Maintenance Plan which will be submitted by the Executive Director of Development and Infrastructure to the Trust or their designated representative'. Then, in Appendix F, it states that 'annual maintenance and statutory works to the PCT property portfolio shall be agreed by the Council and the PCT prior to the commencement of each financial year.'
- 6.7 Although there are meetings held to discuss planning and prioritisation of works between the Council and the PCT, there is no specific annual maintenance plan. There is rather a rolling plan of works held by the Property Team at the Council. This plan of works is added to and changed frequently, based on knowledge of Building Inspectors and Property Team and also in reaction to any improvement works. Due to budget constraints across all client departments, planned works often must be moved into future years with works becoming more reactive than planned. Within the in-house Maintenance Team at the Pickaquooy Centre, prioritisation of maintenance works is also necessary due to competing demands and limited resources.
- 6.8 There is provision for prioritisation within Appendix F of the agreement in setting out the Council's approach to property maintenance and the impact of this on response times to requests. The Property Team tries to hold regular meetings with client departments to run through the list of works for their properties and understand the priorities and there is the intention to meet with the Leisure Team to do this in the near future.
- 6.9 The wording specifying a requirement to agree an annual maintenance plan should be reviewed as part of any future service agreement to ensure that this reflects the current systems of working and the new organisational structure in place.

Recommendation 6

7.0 Risk Management

- 7.1 Within the 2018 Accounts Commission report on Councils' Use of Arms-Length Organisations, it was identified that Councils have improved and strengthened their oversight of ALEOs. This includes clear roles, scrutiny that is proportionate to risk and officers taking a strong liaison role. It is a requirement of the Service Agreement that there are adequate risk management processes in place (Section 18.1.6).
- 7.2 Within the arrangement between the PCT and the Council, there is a good level of understanding on how well the Trust is performing and aware of difficulties that arise. In order to be able to manage the barriers to the achievement of objectives, potential risks to the Trust need to be identified, managed and communicated to the Council. There is evidence within the reporting and monitoring documentation that risks are identified, considered, communicated and managed however this could be improved by having a risk register in place. This would ensure a planned and systematic approach to the identification, evaluation and control of risk. It could also inform a proportionate response in terms of monitoring and scrutiny over performance against the service agreement and feed into the Service risk register at the Council.

- 7.3 Within the Council's Risk Management Strategy, a risk register is required for each Service. Although there is a Directorate risk register in place for ELH, there is no risk register in place for the Leisure, Housing and Culture Service.
- 7.4 We recommend that as part of an approach to effective risk management, both the Pickaquoy Centre and the Service develop risk registers, working in partnership to communicate risk and responsibilities for mitigation.

Recommendation 7

8.0 Representation

- 8.1 There are five elected members on the Pickaquoy Centre Trust Board. The Council's Following the Public Pound (FTPP) policy requires that the Council is clear about the purpose of any officer or member representation on ALEOs. In addition, representatives must discharge their responsibilities with due regard to the objectives of the Council. Within the Accounts Commission report, there were several recommendations made regarding Council representation on an ALEO. The recommendations were for Councils to ensure that they:
- have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest.
 - provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest.
 - have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs.
- 8.2 We reviewed arrangements made for training provision and reviewed documents setting out roles and responsibilities for Councillors as well as Trustees on the Board and found the process in place to be robust, with declarations of interest included on the Orkney Islands Council website.

9.0 Future Requirements

- 9.1 Aside from the Physical Activity and Wellbeing Strategy which has been referenced in Section 2 of this report, and other recommendations made with regard to the next service agreement, when considering future requirements, we reviewed provision against a number of themes. Some are already covered within the agreement and some are not a current requirement but are being delivered.
- 9.2 For the 2025-30 Orkney Community Plan, the Community Planning Partnership has adopted a new priority to improve the health of Orkney's population and reduce health inequalities. There are four pillars of health – 1. Social & Economic Factors, 2. Physical Environment, 3. Health Behaviours and 4. Health and Social Care. This is alongside the priorities of Cost of Living, Sustainable Development and Local Equality. Joint service delivery is also a feature.

Ageing Population

- 9.3 The 2022 census return identified two areas of significant concern for the Orkney Community Planning Partnership - that the growth in Orkney's population has slowed and may have stalled, and that Orkney's population is older than the average for Scotland. 49% of Orkney's population is aged 50 or above compared to the national average of 42%.

- 9.4 The current service agreement requires that the PCT provides specialist venues for use by specific target groups - exercise referral/disability. It is under this priority that the Trust report the work ongoing with partners at NHS Orkney and other charitable organisations such as Versus Arthritis. In addition, they provide a range of classes suitable for those over 50 as well as beginner level classes aimed at those starting out with exercise.
- 9.5 At a time of a national Health and Social Care crisis, early intervention and prevention is a priority and this is reflected in the Orkney Integration Joint Board's Strategic Plan.
- 9.6 In continuing to provide a service that supports those over 50 as well as to provide opportunities to adults and children to increase activity, whatever their ability, the PCT could be a part of a solution to future concerns about the capacity to deliver Health and Social Care against a backdrop of increasing demand and funding pressures.

Inclusion and Accessibility

- 9.7 The Service Agreement requires that the PCT works with other agencies in contributing to delivering a reduction in inequalities in relation to physical activity and healthy weight. The Trust is delivering on this requirement, an example being the engagement with 'Inclusive Orkney', providing a venue at reduced cost for their monthly weekend club and the provision of additional support need (ASN) friendly junior courses.
- 9.8 The cost-of-living crisis continues to affect many households and as part of meeting the priority to reduce inequalities, the 'ActiveLife Budget' membership, offered on a means-tested basis, allows holders to access activities at a greatly reduced cost.

Mental Health and Wellbeing

- 9.9 The Scottish Government states that 'Mental illness is one of the major public health challenges in Scotland. Around one in three people are estimated to be affected by mental illness in any one year'. Orkney Health and Care has seen an increase in mental health referrals which is reflected in the Mental Health Strategy 2020-2025.
- 9.10 'Wellbeing Wednesdays', sessions aimed at young people, were delivered in collaboration with the Community Learning and Development team at the Council. This was funded by Mental Health Wellbeing Funding from the Scottish Government. Pickaquoy staff have taken part in mental health training and there are a number of 'Mind-Body' exercise classes offered which recognise the benefits of movement on mental wellness. Through social media, the centre promotes exercise to improve mental health and wellbeing and promotes initiatives to support awareness such as World Mental Health Day.
- 9.11 Providing services to support mental health and wellbeing is not specified as a priority within the current service agreement, however there is recognition of the clear link between physical activity and wellbeing. Consideration could be given to including a priority linked to promoting the benefits of movement and exercise on mental health and wellbeing in the next Service Agreement.

Technological Advancements

- 9.12 Nationally, technological advancements are significantly transforming the provision of leisure through enhancing the customer experience, operational efficiency, personalised services, innovative fitness solutions, safety and security and sustainability. On the flip side, technological advancements also present greater risks in terms of cybersecurity and robust security measures are required to help to mitigate these.

- 9.13 The management team of the PCT keep abreast of the technological possibilities available to the centre through attendance at national conferences and memberships of national sport and leisure organisations. The Trust has a cybersecurity policy in place and has outsourced support services as well as insurance to ensure cybersecurity measures are in place.
- 9.14 Consideration could be given to including requirements for cybersecurity measures within the next service agreement.

Environmental Sustainability

- 9.15 In 2017, Orkney Islands Council was part of developing the Orkney Sustainable Energy Strategy 2017-2025 and as part of the Orkney Community Plan 2025-2030, this is due to be reviewed and renewed with an energy action plan developed. This supports the Orkney Partnership vision for a climate-resilient and net zero future.
- 9.16 The PCT Environmental Policy is a part of the Centre's framework and includes energy efficiency as well as recycling initiatives as methods to help improve the environment. Their commitment to the environment is shared on the website also.
- 9.17 Consideration could be given to include requirements to contribute to the authority-wide strategy for a climate-resilient and net zero future.

Strategic Partnerships

- 9.18 Strategic partnerships can support the achievement of Council and PCT objectives whilst sharing costs, access to resources, expertise and experience.
- 9.19 The Pickaquoy Centre has many partnerships with other agencies and organisations to help achieve their objectives and through doing so, those of the Council. This includes NHS Orkney, Parkinsons UK, Inclusive Orkney and sportscotland to name a few. The service agreement accordingly refers to the need to work with other agencies to deliver on priorities and aims.

Sports Clubs

- 9.20 A priority within the service agreement is to provide specialist venues for use by sports clubs and there are 17 different kinds of sport clubs listed within the annual performance report for whom the Pickaquoy Centre is a venue.
- 9.21 As part of the service agreement, in 2023/24 the PCT provided Orkney Amateur Swimming Club with 1165.5 hours free lane time and a further 933 paid lane hours were utilised by the club for Galas and additional training sessions.
- 9.22 Prior to the Pickaquoy Pool being opened in 2013, the Swimming Club used the Pool at Kirkwall Grammar School. When the swimming pool moved to the Pickaquoy Centre, a proposal was made to reduce the Swimming Club's free weekly pool access from 17 hours to 3 hours. However, this was not approved by the Council and was sent back for further review. A revised proposal, developed in consultation with the club, suggested reducing free access to 7.5 hours per week across four days. This change required an increase of £7,359 per year to the management fee to cover the additional 4.5 hours beyond the already included 3-hour Thursday session. This was approved and the agreement remains in place.
- 9.23 In addition, the Trust is also required to retain free use of the swimming pool(s) for existing extra-curricular pool-based activities for Kirkwall Grammar School up to 17:00 on weekdays, during school term time that are organised by the school.

- 9.24 Arrangements in place to support local sports clubs such as this support accessibility, youth development, health and community engagement through sport in addition to helping maintain competitive standards and attract new members.
- 9.25 To ensure that public resources are used effectively and that as many people as possible have the opportunity to enjoy sport and physical activity, a review into the current arrangements to provide free access may-
- Help ensure the arrangements continue to deliver strong community benefit.
 - Explore whether access can be broadened to support wider participation.
 - Ensure the Council is achieving best value in line with its strategic goals for health, wellbeing and inclusion.
- 9.26 This is not a proposal to withdraw support from the Swim Club or Kirkwall Grammar School, but rather a recommendation to ensure that all such arrangements are regularly reviewed to reflect changing community needs and priorities.
- 9.27 We recommend that the future themes detailed within this section are brought to the short-life member/officer working group for consideration along with the other recommendations made throughout the report.

Recommendation 8

Action Plan

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
1 We recommend that any future Service Agreement is reviewed annually to ensure that it reflects current strategies and to ensure that performance indicators for the year ahead are specific, measurable, achievable, relevant and time-bound, wherever possible.	Low	An annual review of the Service Agreement between the Council and the Pickaquoy Centre Trust will form part of the annual budget planning between the two organisations.	Service Manager (Leisure and Culture) Managing Director of the Pickaquoy Centre	30 April 2026
2 We recommend that a mechanism for reporting future plans and proposed targets is explored as part of the next Service Agreement.	Low	PCT where possible will look to give enhanced information regarding longer term strategy, potential projects and funding options within the context of budget setting process. This may be limited given the annual funding process.	Managing Director of the Pickaquoy Centre	30 April 2026
3 To strengthen the existing partnership and ensure a consistent communication structure, we recommend that the next service agreement requires that all formal communication between the Pickaquoy Centre Trust and Orkney Islands Council be directed through the nominated Council Officer.	Low	PCT will work with OIC to ensure a consistent communication structure is agreed and detailed in the next Service Agreement.	Service Manager (Leisure and Culture) Managing Director of the Pickaquoy Centre	31 August 2025

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
4 We recommend that for the next Service Agreement, there is clarification of the Health and Safety responsibilities of both parties.	Medium	Orkney Islands Council and the Pickaquoy Centre Trust agree it is important that the Health and Safety responsibilities of both parties are clear for the avoidance of any doubt. Guidance will be sought from Orkney Islands Council's Legal, Environmental Health and Safety and Resilience Services regarding how best to achieve this, and ensuring this is included the next Service Agreement.	Service Manager (Leisure and Culture) Managing Director of the Pickaquoy Centre	31 December 2025
5 We recommend that the maintenance log is kept up-to-date to reflect the status of repairs and maintenance works. We also recommend that the inclusion of the number of works outstanding recorded in the maintenance log and their corresponding rating in the monthly management report is considered. This would provide an additional means of communicating progress on actions outstanding relating to repairs and maintenance.	Low	This internal PCT document will be developed and shared on a monthly basis to work in tandem with the OIC systems (Concerto and SIP Reporting) already in place. Distilled information will be added to the PCT Monthly Management Report to give an overview. (this will develop over time within said report to meet the needs of all parties)	Managing Director of the Pickaquoy Centre Financial Controller of the Pickaquoy Centre	31 August 2025
6 The wording which specifies a requirement to agree an annual maintenance plan should be reviewed as part of any future service agreement to ensure that this reflects the current systems of working	Low	The ongoing maintenance log that will be developed as part of recommendation 5 above, will inform any annual maintenance requirements that will be discussed and agreed during the annual meeting to discuss maintenance requirements for the whole of the	Service Manager (Leisure and Culture) Managing Director of the Pickaquoy Centre	28 February 2026

Recommendation	Priority	Management Comments	Responsible Officer	Agreed Completion Date
		Education, Communities and Housing estate.	Service Manager (Property and Capital Programme)	
7 We recommend that as part of an approach to effective risk management, both the Pickaquoy Centre and the Service develop risk registers, working in partnership to communicate risk and responsibilities for mitigation.	Medium	Both the Sport and Leisure service and PCT will develop individual risk registers and will work on a similar template to ensure parity.	Service Manager (Leisure and Culture) Managing Director of the Pickaquoy Centre	31 December 2025
8 We recommend that the future themes detailed within this section are brought to the short-life member/officer working group for consideration along with the other recommendations made throughout the report.	Low	Meeting dates for the MOWG for Sport and Leisure have been established and recommendations/ findings will be presented to the Education, Communities and Housing committee.	Service Manager (Leisure and Culture)	30 April 2026

Key to Opinion and Priorities

Audit Opinion

Opinion	Definition
Substantial	The framework of governance, risk management and control were found to be comprehensive and effective.
Adequate	Some improvements are required to enhance the effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Recommendations

Priority	Definition	Action Required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a significant level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.