

# Dumfries and Galloway Council

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Dumfries and Galloway Council and the Controller of Audit

November 2024

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# Key messages

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## 2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the council and its group are unmodified. The accounts show a true and fair view of the council's financial position and are free from material misstatement.

## Best Value

- 2 The January 2024 Accounts Commission's Best Value report, on the council said that its leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. The collaborative approach to strategic planning and financial management by members and senior officers is commended. The council's leadership now needs to sustain its pace of improvement and demonstrate that its arrangements are effective in driving delivery of its new strategic outcomes.
- 3 The council has made good progress with prior year Best Value recommendations, including those reflected in the January report, reported on the leadership of the development of new local strategic priorities.
- 4 A recent audit review of workforce planning reported that the council is taking a proactive approach in relation to workforce innovation and digital transformation. Although the Workforce Plan 2023-28 contains an action plan which is linked to the People Strategy outcomes and is supported by timescales and identified service leads, it is not linked to specific performance indicators that capture the range of workforce activity that takes place.
- 5 Local Government Benchmarking Framework (LGBF) data is now reported to elected members to show how the council performs over time, compares to others and how it can prioritise improvement actions more effectively and learn from others.
- 6 An annual delivery plan sets out the actions planned to deliver the Council Plan strategic outcomes. A summary of progress against the Council Plan for 2023/24 was presented to members in March 2024.
- 7 The council now complies with the requirements of the 2021 Statutory Performance Information (SPI) Direction.

## Financial management

- 8** The council operated within budget in 2023/24 after achieving service savings of £1.414 million. There was a £16.242 million increase in usable reserves to £117.399 million at March 2024.
- 9** The council has appropriate and effective financial management processes in place to manage budgets with regular budget monitoring reports provided to elected members to allow effective scrutiny of the council's finances.
- 10** Capital expenditure in 2023/24 equated to 97 per cent of the revised capital programme budget, although there are delays in the delivery of a number of capital projects.

## Financial sustainability

- 11** The Council has agreed a three year budget covering the period 2024/25 - 2026/27 as part of its ongoing development of a medium term financial strategy.
- 12** The financial plans are aligned to the Council Plan 2023-28. The agreed revenue budget for 2024/25 reflected the utilisation of non-recurring funding of £6.5 million to achieve financial balance. The financial strategy reflects that the reliance on non-recurring funding will be reduced going forward, with the indicative budget assumptions for 2025/26 to 2026/27 anticipated to reduce this requirement down to £0.3 million in 2026/27, after the delivery of targeted savings options (that will be developed as part of the budget development process), and indicative Council Tax increases of 6 per cent per annum for both 2025/26 and 2026/27.
- 13** The change and savings programme, which was established as part of the Budget Proposal 2023/24 – 2025/26, is key to maintaining future financial sustainability and supporting priority services.

## Vision, leadership and governance

- 14** The council has operated inclusive elected member leadership arrangements since 2022, which have been recently reviewed. These recognise that all members will not agree on everything but will focus on the shared endeavour to serve the people of Dumfries and Galloway well.
- 15** Changes to the council's senior officer leadership arrangements became effective on 1 April 2024. The new leadership structure is organised across 4 directorates, Enabling and Customer Services; Economy and Infrastructure; Education, Skills and Community Wellbeing and Social Work Services. The effectiveness of the new arrangements will be reviewed by the Council 18 months after implementation.

- 16** Appropriate governance and decision-making arrangements are in place at the council. However, internal audit services need to improve to meet Public Sector Internal Audit Standards. Nineteen recommendations for improvement, are being implemented for internal audit to comply with the standards.

### **Use of resources to improve outcomes**

- 17** The annual 2023/24 service performance reports show that the council was on track to achieve many of its Council Plan 2023-28 performance targets.
- 18** The council's overall performance, taken from the Local Government Benchmarking Framework (LGBF), that does not reflect council priorities, shows 54 per cent of service indicators improving over time. While 48 per cent of national indicators are in the top two quartiles of councils for 2022/23, this has fallen from 55 per cent in the base year, showing the rate of service improvement has slowed compared to others.
- 19** Officers provided a detailed analysis of its own LGBF data for 2022/23 to elected members in April 2024 which shows how the council performs over time and compares to others to help identify areas for focus and where lessons could be learned from other councils.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 annual audit of Dumfries and Galloway Council (the council). The scope of the audit was set out in an annual audit plan presented to the 16 April 2024 meeting of the Audit, Risk and Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.

**2.** This report is addressed to elected members of the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**3.** My team and I would like to thank elected members, Audit, Risk and Scrutiny Committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

**4.** The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**5.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**6.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its

responsibility to address the issues we raise and to maintain adequate systems of control.

**7.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Communication of fraud or suspected fraud

**8.** In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit, Risk and Scrutiny Committee we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration prior to the annual accounts being certified.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £412,720 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to the council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual accounts of the council and its group are unmodified. The accounts show a true and fair view of the council's financial position and are free from material misstatement.

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### Audit opinions on the annual accounts are unmodified

**11.** The Audit, Risk and Scrutiny Committee approved the annual accounts for the council and its group for the year ended 31 March 2024 on 21 November 2024. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and overall were properly prepared in accordance with the applicable requirements.

### The unaudited annual accounts were received in line with the agreed audit timetable

**12.** The unaudited annual accounts were received in line with our agreed audit timetable on 24 June 2023. The unaudited annual accounts presented for audit were complete and of a good standard. A number of follow up working papers were then required. We provided officers with an audit working paper checklist in March 2024 to assist with this. We have now received all the information we required and have completed our audit in line with the original timetable.

**13.** In 2023/24 we were unable to meet the target of concluding the audit and signing the accounts by 30 September. In March 2024 the Executive Director of Audit Services at Audit Scotland wrote to public sector audited bodies in Scotland to provide an update on the progress external auditors were making to recover the timeliness of the audits of annual accounts and the plans over the



next few years to further improve and return to pre-pandemic timelines. The letter highlighted that recovering to pre-pandemic timelines will take time and work and that Audit Scotland have set a target of returning to delivering at 95 per cent of pre-pandemic timelines by the end of the 2026/27 audits, i.e. by Autumn/Winter 2027.

## Our audit testing reflected the calculated materiality levels

**14.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**15.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Council	Group
Overall materiality	£11.910 million	£11.925 million
Performance materiality	£7.742 million	£7.751 million
Reporting threshold	£0.500 million	£0.500 million

Source: Audit Scotland

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## Significant findings and key audit matters

**16.** Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

**17.** The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

**18.** The significant findings including key audit matters, are summarised in [Exhibit 2](#) overleaf.

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Crichton Trust Estate</b></p> <p>As part of our audit work on the non-current assets included in the 2023/24 unaudited annual accounts, we reviewed a sample of assets that had been revalued during the year, which included examination of information provided to the valuer and an assessment that the valuation and measurement bases were appropriate.</p> <p>One of the sample we selected for testing related to the Crichton Trust Estate site and the valuation property summary provided by the valuer stated that the asset is "Leased to Crichton Trust at a peppercorn rent until 28 June 2170."</p> <p>We identified that the site is leased to the Crichton Trust on a 150 year lease. The Trust recognises the Crichton site on its own Balance Sheet as a finance lease. As the length of the lease is deemed to be for the major part of the economic life of the asset, to comply with the Code of Practice for Local Authority Accounting in the UK, this asset should be accounted for as a finance lease in the council's accounts.</p> <p>As a result, the annual accounts were updated as follows:</p> <ul style="list-style-type: none"> <li>• The prior year (2022/23) balances were restated to reflect the disposal of the asset and disclosure as a finance lease. The impact of this restatement was to increase the deficit on the provision of services by £28.114 million in the 2022/23 Comprehensive Income and Expenditure Statement (CIES) and reduce the net assets in the 2022/23 Balance Sheet by the same amount. Note 2 of the 2023/24 annual accounts summarises the disclosures affected by this restatement.</li> <li>• The impact of the prior year restatement flowed into the opening balances in 2023/24 annual accounts. Further adjustments were made to remove the impact of depreciation for Crichton site relating to 2023/24. The impact of this adjustment was to reduce the net cost of services by £1.660 million in the CIES and increase the net assets in the Balance Sheet by the same amount.</li> </ul>	<p>For information only. Officers have updated the annual accounts accordingly.</p>

Issue	Resolution
<p><b>2. Pension Balances</b></p> <p>The defined benefit pension schemes disclosures in the council's annual accounts are taken from a report provided by the council's actuary as required by International Accounting Standard (IAS) 19 – Employee Benefits. The IAS 19 report used to populate the council's 2023/24 unaudited annual accounts did not include the actual results for Quarter 4 of 2023/24 but included estimates for Quarter 4 instead. However, due to the variance between the actual and estimated Quarter 4 results, officers obtained a revised IAS 19 report from the actuary. This has resulted in the pension asset increasing by £11.293 million with the overall pension liability reducing by the same amount.</p>	<p>For information only. Officers have updated the annual accounts accordingly. There was no impact on the net assets reported in the annual accounts.</p>
<p><b>3. Integration Joint Board (IJB) Income and Expenditure</b></p> <p>From discussions with officers, we confirmed that there was a presentational misstatement in the CIES in the 2023/24 unaudited annual accounts in relation to the IJB disclosures.</p> <p>Both the gross expenditure and income for the IJB have been overstated by £13.245 million. When adjusted, the net impact on the net cost of services is nil.</p>	<p>For information only. Officers have updated the annual accounts accordingly. There was no impact on the net cost of services reported in the annual accounts.</p>
<p><b>4. Non-Domestic Rates Income</b></p> <p>The council recognised non-domestic rates redistribution income of £59.072 million in the CIES in the 2023/24 unaudited annual accounts. This differed from the £60.313 million income advised by the Scottish Government in the Local Government Finance Circular 2/2024. Note 11 in the unaudited annual accounts highlights the difference of £1.241 million reflects the income contribution from the Scottish Government required to cover the cost of the empty property relief scheme that was devolved to local authorities from 1 April 2023. However, our view is that the council should recognise the gross income of £60.313 million advised by the Scottish Government in the CIES.</p>	<p>For information only. Officers have updated the annual accounts accordingly. There was no impact on the deficit on the provision of services reported in the annual accounts.</p>
<p><b>5. Capital Grant Funding</b></p> <p>Note 10 of the 2023/24 unaudited annual accounts included £5.436 million of capital grant funding that has been used to support the principle loans</p>	<p>For information only. Officers have updated the annual accounts accordingly. There was no impact on the</p>

Issue	Resolution
<p>repayment. This is in accordance with the permitted flexibilities in Local Government Finance Circulars 12/2022 and 6/2023 as part of the Scottish Government's funding of the Local Government pay award.</p> <p>To account for this, Finance Circular 6/2023 states the grant should be taken to the capital fund, and once it is utilised to fund the principal elements of the loans payment it must be transferred to the General Fund and reported as a transfer from other statutory reserves within the Movement in Reserves Statement (MIRS). However, we identified that this adjustment had not been reflected in the MIRS or the relevant reserves notes in the unaudited annual accounts.</p>	<p>net assets reported in the annual accounts.</p>

Source: Audit Scotland

**19.** The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

**20.** In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

### **We identified three misstatements above our reporting threshold within the annual accounts that were not corrected**

**21.** We identified three misstatements above our reporting threshold that were not processed through the annual accounts and these have been classified as unadjusted misstatements. A community trust provided the council with a £0.530 million capital contribution during 2023/24 to be used to fund upgrades within the community, with no specific conditions requiring the return of the funds. Within the accounts the council has accounted for these funds as grants received in advance (i.e. within creditors) to carry forward these funds into 2024/25 using the matching policy. However, the Code of Practice for Local Authority Accounting in the UK requires that, where capital contributions are received that restrict the use of the grant but do not require return, the capital contribution should be recognised as income in the year it is received and held within the capital grants and receipts unapplied account at the year-end. If corrected, this would have increased the surplus on provision of services in the CIES by £0.530 million and increased the net assets in the Balance Sheet by £0.530 million but would not have impacted the funds available in the general fund.

**22.** In addition, in our testing of capital expenditure we identified that overhead/administration costs of £0.6 million were charged to capital, which are not considered to be directly attributable costs in the construction of an asset

under International Accounting Standards (IAS 16) Property, Plant and Equipment. If corrected, this would have increased the net cost of services in the CIES by £0.600 million and decreased the net assets in the Balance Sheet by £0.600 million.

**23.** Furthermore, we identified that a number of interactive screens had been purchased for schools at a cost of £0.584 million which were charged as revenue expenditure. We are of the view that this purchase meets the definition of capital expenditure and should have been capitalised. If corrected, this would have decreased the net cost of services in the CIES by £0.584 million and increased the net assets in the Balance Sheet by £0.584 million. The net impact of correcting of these three misstatements would have increased the surplus on provision of services in the CIES by £0.514 million and increased the net assets in the Balance Sheet by £0.514 million.

**24.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management do not propose to adjust for the items above as the amounts are not considered material in the context of the annual accounts. We are of the view that the above misstatements were isolated errors due to a unique set of circumstances and therefore did not require a change to our audit approach.

## **Our audit work responded to the risks of material misstatement we identified in the annual accounts**

**25.** We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

**26.** It should be noted that our Annual Audit Plan highlighted the valuation of other land and buildings as an area of specific audit focus, as opposed to a significant risk of material misstatement. However, as a result of a recommendation made in our 2022/23 Annual Audit Report, the council consulted with its valuers and agreed that finance costs should not be included in the valuations carried out as at 31 March 2024. Following this decision (which was taken after we had issued our 2023/24 Annual Audit Plan), we requested that council officers reviewed prior year valuations to ascertain the impact finance costs included in these valuations. Officers identified that the overall impact of the inclusion of finance costs in prior years was £16.3 million which is greater than our overall materiality ([Exhibit 1](#)). The council reflected these adjustments in the unaudited 2023/24 accounts to remove the finance costs included in prior year valuations. Due to the material nature of the adjustment, we took the decision on receipt of the unaudited 2023/24 accounts that the valuation of land and buildings was a significant risk of material misstatement, resulting in additional audit procedures. The further audit procedures we performed to obtain assurances over this risk and the conclusions from the work completed are shown in [Exhibit 3](#) overleaf. Officers are to ensure that there are

no material errors in the value of other land and buildings in future years arising from the accounting treatment of finance costs in previous revaluations.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>We assessed the design and implementation of controls over journal entry processing.</p> <p>We made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>We tested journals at the year-end and post-closing entries and focussed on significant risk areas.</p> <p>We evaluated significant transactions outside the normal course of business.</p> <p>We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>We carried out substantive testing of income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year.</p> <p>We carried out focussed testing of accounting accruals and prepayments.</p>	<p>No instances of management override of controls were identified.</p>
<p><b>2. Estimations and judgements - valuation of other land and buildings</b></p> <p>The council held other land and buildings, including its school PPP estate, with a net book value of more than</p>	<p>We reviewed the information provided to the valuer to assess for completeness.</p> <p>We evaluated the competence, capabilities, and</p>	<p>No issues were identified. The other land and buildings valuation is free from material misstatement.</p>



Audit risk	Assurance procedure	Results and conclusions
<p>£681 million as at 31 March 2023.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets.</p> <p>There is a risk that valuations of these assets are materially misstated, which required us to carry out additional audit procedures.</p>	<p>objectivity of the professional valuer.</p> <p>We obtained an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>We tested the reconciliation between the financial ledger and the asset register.</p> <p>We evaluated management's assessment of why it considers that the land and buildings not revalued in 2023/24 are not materially misstated and critically assessed the appropriateness of any assumptions.</p> <p>We critically assessed the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings.</p> <p>We reviewed the accounting treatment of the removal of historical finance costs included in previous revaluations.</p>	

Source: Audit Scotland

**27.** In addition, we identified the following as an area of specific audit focus:

- Estimations and judgements – pension balance:** This was an area of focus due to the material value and significant assumptions used in the calculation of the balance. We confirmed that valuation data in the actuarial report was correctly reflected within the annual accounts, and reviewed the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used.

**28.** Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention. The pension valuation is free from material misstatement.

## The council applied the statutory override for the accounting for infrastructure assets included in its property, plant and equipment assets

**29.** The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset.

**30.** Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government approved a [Statutory Override - Accounting for Infrastructure Assets](#) that is applicable to 31 March 2024. In June 2024, the [Scottish Government issued updated guidance](#) in this area that amended the previous guidance. The updated guidance confirms the statutory override has been extended to 31 March 2025. The statutory override is formed of two parts:

- **Statutory Override 1:** For accounting periods commencing from 1 April 2021 until 31 March 2025 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- **Statutory Override 2:** For accounting periods commencing from 1 April 2010 until 31 March 2025 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

**31.** Where a local authority chooses to adopt either or both of the statutory overrides, this should be disclosed within the relevant note to the annual accounts.

**32.** Dumfries and Galloway Council applied both parts of the statutory override in its 2023/24 annual accounts. As part of our audit, we reviewed the infrastructure assets disclosures and the related notes, including the relevant disclosure in the accounting policies. We are satisfied that these disclosures reflect the statutory override and adequately explain the approach adopted to readers of the accounts.

## The council's management commentary provides a balanced analysis of the development and performance of the council during 2023/24

**33.** The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) recommends that the management commentary that accompanies the annual accounts reflects a balanced and comprehensive analysis of the development and performance of the council during the year. In our 2022/23 Annual Audit Report we recommended that the management commentary in the 2023/24 annual accounts should be updated to include expanded service performance disclosures which meet the requirements of the Code, including



the insertion of key performance indicators for non-financial performance and also details of both the financial and non-financial risks facing the council as set out in the council's risk register.

**34.** Our review of the disclosures in the 2023/24 management commentary confirmed that officers have addressed our recommendation.

### **The annual governance statement provides an appropriate level of disclosure on the council's governance arrangements during 2023/24**

**35.** The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016. The council's annual governance statement complies with this guidance. The annual governance statement is signed by the Leader of the Council and the Chief Executive. We have been advised that the Chief Executive obtains assurances on issues that may impact on the annual governance statement on a regular basis through statutory officer meetings and internal audit reviews presented to the Audit, Risk and Scrutiny Committee. In our 2022/23 Annual Audit Report we recommended that the assurance process could be improved through the completion of year-end returns or 'certificates of assurance' from executive directors for review by the Chief Executive as part of the production of the annual governance statement. We confirmed during our audit of the 2023/24 annual governance statement that governance compliance assurance certificates for 2023/24 had been completed by executive directors.

### **The audited part of the remuneration report was consistent with the annual accounts and has been prepared in accordance with applicable regulations**

**36.** The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a Remuneration Report within its Annual Accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

**37.** We have no issues to report in relation to the information included within the remuneration report in the council's 2023/24 annual accounts.

### **Audit of the trusts registered as Scottish charities**

**38.** The 2006 Regulations require charities to prepare Annual Accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's

report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

**39.** Dumfries and Galloway Council administered six such registered charities, disclosed in a single set of annual accounts (Nithsdale Connected Trust Funds), with total assets of £0.185 million at 31 March 2023. This is in accordance with the connected charities rules. The preparation and audit of annual accounts of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

**40.** The trustees agreed to release the funds/investments to another local charity with the transfer being legally executed in January 2024. The council contacted Office of the Scottish Charity Regulator (OSCR), who confirmed that accounts for the year 2023/24 were not required subject to the completion of a winding up application and evidence of the transfer being provided.

**41.** Therefore, an audit of these charities for the year 2023/24 was not required.

### **Progress was made on prior year recommendations**

**42.** The council has made progress in implementing the prior year audit recommendations, as set out in [Appendix 1](#).

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## 2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

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### Conclusions

The January 2024 Accounts Commission's Best Value report, on the council said that its leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. The collaborative approach to strategic planning and financial management by members and senior officers is commended. The council's leadership now needs to sustain its pace of improvement and demonstrate that its arrangements are effective in driving delivery of its new strategic outcomes.

The council has made good progress with prior year Best Value recommendations, including those reflected in the January report, reported on the leadership of the development of new local strategic priorities.

A recent audit review of workforce planning reported that the council is taking a proactive approach in relation to workforce innovation and digital transformation. Although the Workforce Plan 2023-28 contains an action plan which is linked to the People Strategy outcomes and is supported by timescales and identified service leads, it is not linked to specific performance indicators that capture the range of workforce activity that takes place.

Local Government Benchmarking Framework (LGBF) data is now reported to elected members to show how the council performs over time, compares to others and how it can prioritise improvement actions more effectively and learn from others.

An annual delivery plan sets out the actions planned to deliver the Council Plan strategic outcomes. A summary of progress against the Council Plan for 2023/24 was presented to members in March 2024.

The council now complies with the requirements of the 2021 Statutory Performance Information (SPI) Direction.

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## Best Value work in 2023/24

**43.** Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

**44.** As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2023/24 the scope of Best Value work included conclusions on:

- The Accounts Commission’s requested thematic work on workforce innovation
- Progress made against Best Value improvement actions made in previous years
- Effectiveness of council performance reporting
- Council service performance improvement.

**45.** In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

### **The council is taking a proactive approach in relation to workforce innovation and digital transformation. The Workforce Plan 2023-28 action plan should now be linked to specific performance indicators that capture the range of workforce activity that takes place**

**46.** This year auditors were asked to focus on how councils’ are responding to workforce challenges. The results of this work were included in our Best Value thematic management report issued in May 2024 and reported to elected members at the [Audit, Risk and Scrutiny Committee in June 2024](#).

**47.** The key findings in this report were as follows:

- Dumfries and Galloway employs approximately 6,500 people. The council has updated its Workforce Plan 2023-28 to align with its strategic priorities. Service plans for each directorate link to the Council Plan 2023-28 and contain workforce information. The People Strategy 2021-26 reflects the overarching principles within the Council Plan 2023-28. The council have data in place to support these plans.
- A Change and Savings programme has been developed. This includes an ambition to have fewer but more multi-skilled staff. Workforce related savings options include a reduction in FTE numbers of at least 46 staff re-deployment and development of multi-skilled roles.
- The People Strategy demonstrates an ambition to improve staff engagement and there are forums in place to support this but the council could be more transparent on how it incorporates staff views in

future iterations of the Workforce Plan. The council must ensure that it effectively communicates with staff around organisational change, and ensure they are supported through redeployment and restructuring processes.

- More than half of the workforce are aged 45 or over. In this context, the council is proactive in assessing its future workforce needs. It has a range of activities to develop employee skills and support succession planning, such as grow-your-own schemes, collaborating with education providers, and initiatives to develop the young workforce.
- The council has an ambition to adopt a digital-first approach, as outlined in its Digital and ICT Strategy 2021-2026. A digital skills survey was carried out and improving digital access and skills is now a focus. Savings of £1.2 million have been identified through digital transformation projects over the next five years.
- The council has a range of flexible working policies in place to facilitate different preferred working patterns. The council's approach to hybrid and remote working supports the operational needs of services and teams. The council monitors hybrid working as part of its Office Accommodation Strategy and employee sickness absence. It is considering how to measure the impact of hybrid working on staff productivity.
- Although the council does not share services with other public or private sector bodies that have significant implications for its workforce, it does have some smaller shared working agreements in relation to building and planning services to support capacity. 13.6 per cent of the workforce are employed on a fixed term basis. This does not account for agency staff numbers and the council does not routinely monitor the use of agency staff at a corporate level as part of its workforce planning analysis. There is a partnership approach to workforce planning across the Health and Social Care Partnership, with an integrated approach taken in developing the Health and Social Care Workforce Plan 2022-25.
- The council measures the impact of its workforce planning approach through council-wide progress updates and service level reporting to committees. The new Council Workforce Plan 2023-28 contains an action plan which is linked to the People Strategy outcomes and is supported by timescales and identified service leads, but the action plan is not linked to specific performance indicators. There are some broader workforce performance indicators in place, but these focus on generic measures and do not capture the range of workforce activity that takes place. The council has established metrics to monitor specific workforce planning activities, such as the number of staff undertaking leadership training. These measures contain targets which is useful for assessing performance.

**48.** Audit improvement recommendations were included in the Best Value thematic management report and are replicated in [Appendix 1](#) of this report.

This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

**The January 2024 Accounts Commission Best Value report concluded that the council's leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement but that it needs to sustain its pace of improvement and demonstrate that the arrangements are effective in driving delivery of its strategic outcomes.**

**49.** Every five years, once over the course of a five year audit appointment, the annual audit report for each council is reviewed by the Accounts Commission, through a Controller of Audit report. These reports cover the latest annual audit report and include a summary of Best Value work and judgements reported. The Accounts Commission published its results of this review for Dumfries and Galloway Council, based on the 2022/23 Annual Audit Report in January 2024.

**50.** The Commission's findings were presented to the March 2024 Council meeting. As part of our 2023/24 audit, we followed up on the agreed actions (see [Appendix 1](#)) and we concluded that the council has made good progress in addressing these recommendations. The council has made good progress on recommendations reported in the 2022/23 Best Value thematic report on the leadership of the development of new local strategic priorities

**51.** The 2022/23 [Best Value audit thematic report on the leadership of the development of new strategic priorities](#) was issued in June 2023 and presented to the Audit, Risk and Scrutiny Committee in November 2023. It reported that the council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2023-28. It concluded that the council's leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. However, the discussion of benchmarking information with members, could help to learn from others and prioritise improvement actions more effectively.

**52.** The findings and six audit improvement recommendations reported in the 2022/23 Best Value thematic report were also included in our [2022/23 Annual Audit Report](#) that was presented to the Audit, Risk and Scrutiny Committee in November 2023.

**53.** Improvements have since been implemented in:

- Reporting a summary of progress against the Council Plan to elected members (see paragraph 59)
- reporting of the council's 2022/23 LGBF performance (see paragraph 68)
- clarification of the council's climate change targets (see paragraph 123)
- capital programme reports now show progress against key delivery dates and projected costs

- workforce planning (see paragraph 47).

**54.** Work is still in progress to fully implement improvements in the performance measurement framework and the approval of an asset management strategy

### **An annual delivery plan sets out the actions planned to deliver the Council Plan strategic outcomes. A summary of progress against the Council Plan for 2023/24 was presented to members in March 2024**

**55.** In March 2023, the Council approved the annual delivery plan which sets out the actions to deliver the Council Plan 2023-28 strategic outcomes during 2023/24.

**56.** The plan provides the focus on the activities, outputs and projects for the year ahead which will help achieve or contribute to the agreed strategic outcomes set out in the Council Plan. It includes one hundred and thirty seven actions across the twenty three strategic outcomes included in the Council Plan. Each action has been assigned to a lead committee and lead chief officer, as well as being cross referenced to the related themes and outcomes of the Council Plan.

**57.** The plan reflects that there are a wide range of day-to-day operational activities, set out within service business plans, which support and underpin the Council Plan, and are of importance to elected members, stakeholders, partners and staff.

**58.** The Council Management Team (CMT) oversee a quarterly review of progress across activity within the annual delivery plan and ensure any actions or follow up required is undertaken throughout the year.

**59.** The end of year position on the delivery of the Council Plan for 2023/24 (as at the end of February 2024) was presented to the meeting of the Council on 28 March 2024. A summary of the progress made during 2023/24 in relation to the one hundred and thirty seven actions across the four Council Plan themes is included in the council's 2023/24 annual accounts and is shown in the table below:

<b>Council plan theme</b>	<b>Actions Complete</b>	<b>Actions On Track and In Progress</b>	<b>Actions In Progress</b>	<b>Actions Not Started</b>
Economy	46%	47%	7%	-
Travel, Connectivity and Infrastructure	7%	86%	7%	-
Education and Learning	37%	48%	15%	-
Health and Wellbeing	58%	38%	-	4%

Source: Dumfries and Galloway Council Annual Accounts 2023/24



**60.** The report to Council in March 2024 highlights that the council has made progress across all of the themes and strategic outcomes with 125 (91 per cent) of the total 137 actions being completed or delivery is on track. The report to Council also includes the annual delivery plan which sets out the actions to deliver the Council Plan 2023-28 strategic outcomes during 2024/25.

### **The council has an established performance management framework in place, with service performance being reported to elected members twice yearly**

**61.** The service plans for 2023/24 were presented to service committees in August and September 2023 and these plans demonstrate how the council will deliver its strategic outcomes as set out in the Council Plan. The service plans set out the following:

- services delivered
- Council Plan strategic outcomes that the service leads on
- annual budget
- employee statistics for the service
- Council Plan delivery 2023/24 – for the relevant strategic outcomes, for each delivery plan action the team who will deliver the action is provided along with the linked strategy/plan
- service delivery 2023/24 – includes “what are we planning to do?” and the team who will deliver the action
- change and improvement activities – includes “what are we planning to do and what is the intended outcome?” and who will deliver the action
- service success measures – includes target, timescale/frequency, benchmark and area reporting for each measure
- relevant council wide indicators - includes target, timescale/frequency, benchmark and area reporting for each measure/indicator (service plans include relevant LGBF Indicators)
- service risk register.

**62.** Six-monthly progress reports on the 2023/24 service business plans were presented to service committees from November 2023. This approach provides visibility on progress for the public and elected members during the year alongside summary reporting on an annual basis to full Council. Reporting on specific topics or decisions, in line with elected member decisions will also continue.

**63.** Detailed six monthly performance reports are presented to the relevant service committees which identify the individual Key Performance Indicators (KPIs) within each service business plan alongside the values, targets, current



status and trends. The reports provide elected members with sufficient detail to monitor and track delivery of performance and outcomes of KPIs.

**64.** These performance reports include planned improvement actions where they are not on target. Progress against the council's 411 KPIs within end of year assessment reports for 2023/24 in respect of service business plans reported to the relevant service committees in May and June 2024. An analysis of the end of year assessment reports for 2023/24 is detailed in the Use of Resources to Improve Outcomes section of this report.

### **Local Government Benchmarking Framework (LGBF) data is now reported to elected members to show how the council performs over time, compares to others and how it can prioritise improvement actions more effectively and learn from others**

**65.** The Accounts Commission's, [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

**66.** The council's self-evaluation framework, based on the Public Service Improvement Framework (PSIF), sets out how professional benchmarking data and LGBF indicators will be used as part of the process of review. Also, referring to the LGBF is included in the council's service review toolkit.

**67.** We recommended in our 2022/23 Best Value thematic report that the council should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements. Following the publication of the 2022/23 LGBF data by the [Improvement Service](#) in March 2024, officers provided elected members with a briefing note which provides detailed analysis including:

- Graphs showing the council performance alongside the Scottish average figure and the family group average figure
- A more detailed look at the council's family group performance
- Family group quartile ranges and the council position.

**68.** The [detailed briefing note of the 2022/23 LGBF data](#) provided to elected members is available from the performance information section of the council's website.

### **The council now complies with the requirements of the 2021 Statutory Performance Information (SPI) Direction**

**69.** The Accounts Commission issued a new [Statutory Performance Information Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

**70.** In our 2022/23 Annual Audit Report, we highlighted that we had assessed the council's arrangements for reporting against the Direction and concluded that the council was complying with it in parts but it needed to improve in a number of areas of its public performance reporting.

**71.** As a result, we recommended that the council needed to improve its public performance reporting by:

- providing a summary of performance showing how many indicators relating to its own priorities are improving, deteriorating or staying the same
- ensuring members of the public can access its tailored LGBF analysis
- ensuring its public performance reporting webpages have working links, are up-to-date and information can be easily accessed
- ensuring service self-assessments and service reviews are more accessible on its website
- ensuring there are links to the results of audit and inspection reports on the council together with the council's response to these.

**72.** In an update to the Leadership Panel in March 2024 the Director Economy and Resources noted that:

- In relation to the recommendations in bullet points 1, 2, 4 and 5 above, they were highlighted as in progress as follows:
  - A summary of performance showing how many indicators relating to its own priorities are improving or deteriorating will be prepared following review of the 2023/24 Council Plan Annual Delivery in March 2024. This will be available and shared early April 2024.
  - The updated tailored LGBF analysis was reviewed by Corporate Management Team on 13 March and will be shared with Elected Members and made available on the Council's website w/c 18 March 2024.
  - Arrangements are in place to ensure that all future self-assessments and formal service reviews are available on the

council's website. A programme of self-assessments is taking place late 2024 and into 2025 – the outputs from these will be made available.

- Work is ongoing with the web-team to refresh the Audit and Inspection section of the website, providing links to the audit and inspection reports. This will be live by the end of March 2024.
- In relation to the recommendation in bullet point 3 (Public Performance Reporting) above, this was highlighted as complete in that the public performance reporting webpages have been updated and all links reinstated.

**73.** Our own review of the progress made by the council in relation to our recommendations above noted that officers provided elected members with a detailed briefing note of the 2022/23 LGBF data which provides detailed analysis including:

- Graphs showing the council performance alongside the Scottish average figure and the family group average figure
- A more detailed look at the council's family group performance
- Family group quartile ranges and the council position.

**74.** The [detailed briefing note of the 2022/23 LGBF data](#) provided to elected members is available from the performance information section of the council's website, which has been refreshed as noted above.

**75.** We have concluded that the council has addressed our recommendations from 2022/23 and now complies with the requirements of the SPI Direction.

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# 3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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## Conclusion

The council operated within budget in 2023/24 after achieving service savings of £1.414 million. There was a £16.242 million increase in usable reserves to £117.399 million at March 2024.

The council has appropriate and effective financial management processes in place to manage budgets with regular budget monitoring reports provided to elected members to support scrutiny of the council's finances.

Capital expenditure in 2023/24 equated to 97 per cent of the revised capital programme budget, although there are delays in the delivery of a number of capital projects.

Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate.

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

**76.** The council has effective budgetary and financial management processes in place that allow members to carry out effective scrutiny of its finances. This is supported by an experienced finance team.

**77.** During 2023/24, the Finance, Procurement and Transformation Committee (FPTC) provides scrutiny, challenge and gain assurances on all aspects of finance, procurement and transformation. The committee receives detailed financial reports, which are accompanied by an overview and presentation from the Head of Finance and Procurement. From 1 April 2024, the Enabling and Customer Services Committee became responsible for scrutiny of budget monitoring reports provided by the Chief Financial Officer. Service committees also receive relevant financial monitoring reports.

## The council operated within budget in 2023/24 after achieving service savings of £1.414 million

**78.** The Council approved a balanced revenue budget for 2023/24 in February 2023. Following achievement of service efficiencies, the council reported a net underspend of £0.914 million against service budgets.

**79.** The council's 2023/24 agreed budget included savings totalling £2.397 million to be delivered through the change and savings programme. As at the end of financial year 2023/24, the level of savings achieved against that target was £1.414 million (59 per cent). The shortfall of £0.983 million is being met from the Change Fund in 2023/24. Delivery of agreed savings has proved more challenging in 2023/24 than in recent years as services, and the wider council, have faced a range of challenges and pressures. Key savings that were not delivered in 2023/24 include targeted savings from transformational ideas, spend to save opportunities and digital service redesign. While it is anticipated that these savings will be delivered in full from 2024/25, it is recognised that delivering increasing savings requirements over upcoming years will require significant focus.

## There was a £16.242 million net increase in usable reserves

**80.** One of the key measures of the financial health of a council is the level of reserves held. In 2023/24 there was a net increase of £16.242 million in the council's usable reserves, with the total now sitting at £117.399 million ([Exhibit 4](#)) overleaf.

**81.** Within the £21 million of general fund earmarked reserves used in year, the most significant movement related to the planned use of £16.717 million for earmarked spend agreed as part of the 2023/24 budget. This was to support investment in a number of areas including roads improvement measures, cost of living/tackling poverty measures, schools digital strategy/desktop technology and affordable housing initiatives.

**82.** The capital fund was increased by £30.670 million, from general fund balances, to support increased inflationary pressures on capital projects.

- £4.335 million was generated from additional interest on revenue balances, from increases in interest rates and reduced loans charges, as borrowing could be delayed
- the application of service concessions fiscal flexibility balances provided £20.6 million to support roads investment and £6.5 million to support the capital investment strategy.

## Exhibit 4

### Dumfries and Galloway Council - usable reserves

Reserve	31 March 2022 £ million	31 March 2023 £ million	31 March 2024 £ million
General fund	£90.003	£86.370	£73.620
Capital fund	£4.771	£8.183	£38.853
Insurance fund	£3.572	£3.629	£3.249
Repairs and renewals fund	£3.125	£2.975	£1.677
<b>Total usable reserves</b>	<b>£101.471</b>	<b>£101.157</b>	<b>£117.399</b>

Source: Dumfries and Galloway Council Annual Accounts 2021/22 to 2023/24

**83.** As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Head of Finance and Procurement) 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.

**84.** The council's general fund reserve includes an unallocated balance of £9.1 million, which represents 2 per cent of annual planned spending. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's approved policy of maintaining unallocated reserves of at least 2 per cent of annual planned net expenditure to meet the potential cost of unforeseen liabilities. The remainder of the general fund reserve is earmarked for specific purposes including the service concessions reserve (£11.954 million), medium term financial planning (£10 million), budget pressures/resilience funding (£6.676 million) and corporate change fund (£9.342 million).

## **Capital expenditure in 2023/24 was 97 per cent of the revised capital programme budget. There are delays in the delivery of a number of capital projects**

**85.** The Capital Investment Strategy Final Outturn 2023/24 report to the Finance, Procurement and Transformation Committee (FPTC) in June 2024 noted that total capital expenditure for the year was £38.309 million against a capital programme budget of £39.580 million, representing 97 per cent utilisation. However, the report highlights that this outturn position reflects the challenges associated with delivering an ambitious capital programme. The resourcing of projects (both internal and external) still represents a significant risk and supply chain issues continue to contribute to slippage in some areas, particularly the Transport asset class. To recognise these challenges, the FPTC agreed to reprofile the capital programme in August 2023 and an allowance for project slippage of £4 million was applied to the overall capital programme budget.

**86.** The report highlights that for number of capital projects and programmes, due to delays in the projects starting and supply chain they will not complete until 2024/25. The main projects affected by delays were the Stranraer Marina project (within the Borderlands Programme) and the asset classes, particularly Public Realm, Economic Development and Transport. As a result, funding totalling £5.271 million (net of the £4 million slippage allowance) is being carried forward within priority projects and asset classes to 2024/25. The majority of the funding being carried forward is fully committed.

## **Financial systems of internal control operated effectively**

**87.** No significant weaknesses were identified from our review of the design and implementation of systems of internal control relevant to our audit approach (including those relating to IT), which could result in a material misstatement in the accounts. We concluded that the key controls within the council's main financial systems operated effectively in the year.

## **Internal audit provided a reasonable level of assurance over the council's internal control system, governance and risk management arrangements during 2023/24**

**88.** The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

**89.** Internal audit's controls assurance statement, presented to the June 2024 Audit, Risk and Scrutiny Committee meeting, as part of our review of the Annual Governance Statement is included within the 2023/24 Annual Accounts. Internal audit's opinion is that generally sound systems of governance and internal control were in place during 2023/24.



## **The council has in place appropriate arrangements for the prevention and detection of fraud and corruption. The council proactively investigate and report the outcomes of NFI activity**

**90.** The council has a range of established procedures for preventing and detecting fraud and irregularity including a corporate anti-fraud and anti-corruption policy statement and strategy and codes of conduct for members and officers.

**91.** 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. NFI data matches were issued to the council in January 2023 as part of the NFI exercise for 2022/23. In our 2022/23 Annual Audit Report we concluded that the council had not been adequately proactive in investigating matches and reporting the outcomes of NFI activity to elected members. We recommended that the council should prioritise investigation of NFI matches and reporting the outcomes of NFI activity to elected members on a regular basis.

**92.** As a result, Internal Audit took on responsibility for co-ordinating the council's response to NFI from November 2023. The Interim Internal Audit Manager presented a report to the Audit, Risk and Scrutiny Committee in June 2024 which provided an update on the outcomes from the investigation of NFI matches. The report highlighted that officers investigating the matches did so with the support and advice from Audit Scotland officers involved in NFI. We concluded that the council has addressed our recommendation and as such, is proactive in investigating matches and reporting the outcomes of NFI activity to elected members.



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# 4. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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## Conclusion

The Council has agreed a three year budget covering the period 2024/25 - 2026/27 as part of its ongoing development of a medium term financial strategy.

The financial plans are aligned to the Council Plan 2023-28. The agreed revenue budget for 2024/25 reflected the utilisation of non-recurring funding of £6.5 million to achieve financial balance. The financial strategy reflects that the reliance on non-recurring funding will be reduced going forward, with the indicative budget assumptions for 2025/26 to 2026/27 anticipated to reduce this requirement down to £0.3 Million in 2026/27, after the delivery of targeted savings options (that will be developed as part of the budget development process), and indicative Council Tax increases of 6 per cent per annum for both 2025/26 and 2026/27.

The change and savings programme, which was established as part of the Budget Proposal 2023/24 – 2025/26, is key to maintaining future financial sustainability and supporting priority services.

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## The council approved a balanced budget for 2024/25 and a three year budget covering the period 2024/25 - 2026/27 as part of its ongoing development of a medium term financial strategy

**93.** The Accounts Commission's, [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important.

**94.** A cross-party budget panel was established to allow panel members to contribute and provide opportunities to develop strategic thinking in relation to the council's medium term financial strategy, alignment with the Council Plan and development of the council budget for 2024/25. This is a positive development in the way in which the council is developing its financial planning to promote decisions being taken which align with the priorities of the council.

**95.** The council engaged with citizens, customers, staff and partners on council's revenue budget for 2022/23 - 2024/25. The feedback from this

engagement exercise provided suggestions of what the council should stop doing/could do differently/less but tended not to refer to an individual service or part of a service and included: hiring consultants, paper-based processes, duplication and hiring consultants. The responses were grouped by theme, e.g. climate change and roads, and the vast majority of comments suggested improvements within the theme rather than stopping a service, such as “stop using polluting diesel vehicles” and “stop letting roads deteriorate”.

**96.** An update report on the local government finance settlement 2024/25 and the impact on the financial strategy was presented to the FPTC meeting on 8 February 2024. This report highlighted the impact of the local government finance settlement 2024/25 announced in December 2023 on the council’s overall budget for the period 2024/25 to 2026/27.

**97.** The report highlights a budget gap of £10.4 million for 2024/25 (after deduction of £1.4 million of previously agreed change and savings programme options but before additional savings measures), with a cumulative funding gap of £30.075 million by 2026/27, which reduces to £0.3 million after deduction of targeted savings measures to be developed over the upcoming period and indicative Council Tax increases of 6 per cent per annum in 2025/26 and 2026/27 (see [Exhibit 5](#)). The Council agreed to freeze Council Tax as a result of the Scottish Government providing additional funding of £3.730 million to the council through the local government finance settlement.

**98.** On 27 February 2024, the Council approved a balanced revenue budget for 2024/25 and indicative budgets for 2025/26 and 2026/27. The revenue budgets are aligned to Council Plan priorities and structured across its four services.

**99.** The budget highlighted that the cumulative savings available through the use of service concessions, Council Tax on 2<sup>nd</sup> homes, non-domestic property relief and additional change and savings programme options would increase to £12.210 million for 2025/26 and £19.210 million for 2026/27. The approved budget shows that £6.459 million of council balances would need to be used to address the remaining funding gap after additional savings measures (see [Exhibit 5](#)).

## Exhibit 5

### Financial Strategy – Funding Gap 2024/25 - 2026/27 (Cumulative)

Scenario	2024/25 £'million	2025/26 £'million	2026/27 £'million
<b>Cumulative Funding Gap</b>	11.800	21.800	32.050
<b>Previously Agreed Change and Savings Programme Options</b>	(1.400)	(1.975)	(1.975)
<b>Remaining Funding Gap to be Addressed</b>	10.400	19.825	30.075

#### Agreed Measures to Address the Funding Gap:

• Use of service concessions fiscal flexibility	(1.250)	(1.250)	(1.250)
• Council Tax on 2 <sup>nd</sup> homes	(1.660)	(1.660)	(1.660)
• Non-domestic property relief	(0.700)	(0.800)	(0.800)
• Additional agreed change and savings options	(1.528)	(8.500)	(15.500)
• Indicative Council Tax increases	-	(5.323)	(10.966)
<b>Funding Gap to be Met from Council Balances</b>	<b>6.459</b>	<b>2.492</b>	<b>0.299</b>

Source: Local Government Finance Settlement 2024/25 and the Impact on the Financial Strategy (February 2024) and Revenue Budget 2024/25 – 2026/27 (February 2024)

**100.** The 2024/25 annual delivery plan for the Council Plan based on the strategic commitments, programmes and projects reflected in the Council Plan, is linked to the agreed capital and revenue resources reflected in the agreed budget. The service plans then show how the services focus on delivery of the council priorities and outcomes with reference to the annual budget for each of the services. The Council Plan annual delivery for 2024/25 was agreed by Council in June 2024. The 2024/25 service plans were presented to the relevant service committees from August to October 2024.

### **The council needs to take an innovative approach when considering how services will be delivered in the future. Delivery of the change and savings programme is key to this**

The council's arrangements for budgeting and financial planning for the medium term demonstrate a sound understanding of financial planning and risk awareness which has been incorporated into financial plans. The council has a good track record of delivering savings targets in the past but in 2023/24 targeted savings were not delivered in Transformational Ideas, Spend to Save opportunities and Digital Service Redesign

**101.** Going forward, the change and savings programme options include achieving targeted savings from transformational ideas (£1 million in 2024/25, £7.5 million in 2025/26 and £14 million in 2025/26), designed to deliver new service models within reduced resources. Savings Options highlight that workforce changes are required with fewer but more multi-skilled staff required. Many staff will have to be supported and retrained to transfer into new or in demand roles.

### **A ten-year capital investment strategy is in place and the council is in the process of finalising an asset management plan**

**102.** The council has a ten-year capital investment strategy which is updated annually. The strategy was developed to reflect the council's strategic priorities and is effectively linked to its treasury management strategy and future costs of borrowing.

**103.** The February 2024 FPTC meeting also considered the updated capital investment strategy budget for the period 2024/25 to 2033/34. This reflects the

local government finance settlement for 2024/25 announced in December 2023. Significant projects within the capital investment strategy over the ten year period include the Dumfries High School replacement, Dumfries Academy refurbishment/Loreburn Primary relocation and Whitesands flood protection. The report highlighted the following further investment requests:

- Dumfries High School Cost Increase (£11 million) – the total cost of the project is now estimated to be £55.5 million against the current total allocated budget of £45 million. Additional funding was agreed by the FPTC to allow the project to progress.
- Reinforced Autoclaved Aerated Concrete (RAAC) Removal Programme (£7.6 million) – a separate report to the FPTC in February 2024 highlighted the work done to assess the extent of RAAC that requires to be removed from the council's property estate. It is estimated that this removal programme will cost £7.6 million phased across 3 years and the FPTC agreed to allocate funding as part of the development of the updated 10 year capital investment strategy.
- Asset Class Capital Programmes (£10 million) – progress has been made particularly on the development and maintenance of the council's existing schools and non-schools property estate. However, due to the extent of requirements associated with this estate, and the impact of cost inflation, members agreed an additional allocation of £1 million per annum (£10 million over the 10 year period) to support the work.

**104.** A report was presented to Council meeting on 27 June 2024 in relation to a proposed revised approach to the development of capital projects. The report requested members to:

- note the work undertaken to improve and standardise the development of business cases for new capital projects which includes the development of a 4-stage business case gateway approach developed in line with HM Treasury guidance and the creation of an officer led Capital Investment Programme Board
- agree the updated approach to the approval by members of priority capital projects and associated budgets.

**105.** In 2022/23 we recommended that an asset management strategy should be put in place to demonstrate the right assets are in place to support delivery of services in line with priorities and support the council's capital plans. The council is progressing this, a draft of the Asset Management Plan (AMP) is being shared for comment with senior management and the political groups. The council intends to have a final AMP for approval by elected members in January 2025.

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# 5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

The council has operated inclusive elected member leadership arrangements since 2022, which have been recently reviewed. These recognise that all members will not agree on everything but will focus on the shared endeavour to serve the people of Dumfries and Galloway well.

Changes to the council's senior officer leadership arrangements became effective on 1 April 2024. The new leadership structure is organised across 4 directorates, Enabling and Customer Services; Economy and Infrastructure; Education, Skills and Community Wellbeing and Social Work Services. The effectiveness of the new arrangements will be reviewed by the Council 18 months after implementation.

Appropriate governance and decision-making arrangements are in place at the council. However, internal audit services need to improve to meet Public Sector Internal Audit Standards. Nineteen recommendations for improvement, are being implemented for internal audit to comply with the standards.

The council has revised its target date of achieving net zero carbon emissions.

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## The Council agreed changes to the council's senior leadership arrangements which became effective on 1 April 2024

**106.** As discussed in our 2022/23 Annual Audit Report, in October 2023 the Council agreed proposals for the council's future senior leadership arrangements. The new structure was implemented on 1 April 2024.

**107.** The new leadership structure is organised across four directorates, Enabling and Customer Services; Economy and Infrastructure; Education, Skills and Community Wellbeing and Social Work Services. During 2023/24 the council had a total of 15 Chief Officers (including the Chief Executive and directors) across all directorates and under the new leadership structure there is

a total of 16 Chief Officers, with the creation of the new Head of Children, Families and Justice Services post. The effectiveness of the new arrangements will be reviewed by the Council 18 months after implementation.

## Role of the Chief Financial Officer

**108.** It is good practice that the Section 95 (s95) Officer in a council reports directly to the Chief Executive and is a member of the leadership team. From 1 April 2024, the s95 officer is known as the Chief Financial Officer to reflect the importance of the role and its status. The Chief Financial Officer sits within the Enabling and Customer Services Directorate of the council and reports to the Executive Director Enabling and Customer Services rather than the Chief Executive. He is a member of the council's Senior Leadership Team (SLT) who meet weekly and are responsible for the strategic oversight of the organisation in support of the Chief Executive, who chairs the SLT.

**109.** In addition, the Chief Financial Officer as s95 officer has accountability, and as a statutory officer, reports to the Chief Executive through regular (monthly) statutory officer meetings. The s95 officer also provides advice to all members directly. Reports authorised by the s95 officer are brought direct to the relevant committees and advice issued directly by him to members in relation to his responsibilities.

## Appropriate governance and decision-making arrangements are in place at the council

**110.** Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded together with the monitoring of the adequacy and effectiveness of these arrangements.

**111.** The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective. The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016 and the annual governance statement sets out how the council demonstrates compliance with the seven principles.

**112.** The council's Audit, Risk and Scrutiny Committee is an important aspect of its overall governance arrangements. One of the Committee's key responsibilities is to have oversight of the development of the annual governance statement which is informed by annual council officers' self-assessment against the council's corporate governance framework. The annual governance statement provides details of future improvements to the governance framework, one of which includes a review of the council's local code of corporate governance by the end of 2024/25.

## The council has operated inclusive elected member leadership arrangements since 2022



**113.** Since 2022 the council has operated inclusive leadership arrangements which include the following forums:

- Leaders Panel which comprises political group leaders supported by the Chief Executive and other senior officers and meets on a monthly basis. The issues considered have included the new Council Plan development, Roads Maintenance and Governance and Assurance Review. The Panel also considers quarterly reporting of Council Plan delivery.
- Budget Panel which comprises political group leader representatives supported by the Chief Executive, Director Economy and Resources and Head of Finance and Procurement and meets on a monthly basis. The issues considered have included the Medium Term Financial Strategy, Budget Model and Measures, Development of the Change and Savings Programme, Financial Reserves, Budget Process and Timetable and Fiscal Flexibilities and Service Concessions.
- Business Bureau which comprises Business Managers of the political groups with a rotating Chair supported by the Head of Governance and Assurance and Democratic Services Manager and meets on a monthly basis. The issues considered have included council forward plan, report templates and consultation arrangements.

**114.** The Council received a report on progress of these arrangements at the 4 October 2023 meeting and agreed to continue the Leaders Panel, Budget Panel and Business Bureau. During the debate on the council's 2024/25 budget on 27 February 2024, the Council agreed that, reflecting concerns around the political budget process, a review of the inclusive leadership should be conducted by members of each forum. The outcome of this review was reported to the Council meeting held on 27 June 2024.

**115.** The report highlighted that the inclusive political leadership model established within the council, and the positive investment in closer member officer working, provides for the following working principles:

- Recognition that all members will not agree on everything but will focus on the shared endeavour to serve the people of Dumfries and Galloway well.
- All participants agree to contribute in a constructive and collaborative manner. The Chair shall regulate the conduct of business at meetings and shall ensure that all members receive a fair hearing.
- Member and officer attendees' sensitivity and discretion is essential – the meeting Chair will make clear any information that is confidential and not for wider dissemination and when it is not appropriate for officers to be present.
- None of these forums are decision-making – any decisions are made by the relevant Committees in line with the Scheme of Administration and Delegation to Committees.

- Administrative support is provided to support the efficient and effective co-ordination of meeting dates, papers and attendance.

**116.** The report provided details of the review carried out by each forum between March and May 2024 and the feedback from each forum in relation to areas of responsibility. The report concludes that the CMT were consulted during the preparation of the report and were in agreement with its contents.

### **Internal audit needs to improve to meet internal audit standards**

**117.** It is a requirement of the Public Sector Internal Audit Standards (PSIAS) that audit functions must have robust quality assurance and improvement processes in place. The standards state that Internal Audit functions should be externally assessed at least every 5 years to demonstrate that they are meeting the requirements PSIAS.

**118.** To assist its members to meet the five-yearly external assessment requirement, the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) established a collaborative system of formal peer reviews. Midlothian Council's Internal Audit Service was selected to carry out the external assessment of Internal Audit in Dumfries and Galloway Council during 2023/24.

**119.** The External Quality Assessment (EQA) report was presented to the Audit, Risk and Scrutiny Committee meeting held on 13 June 2024. The report highlighted that the overall conclusion of the external assessment is that the council's Internal Audit function 'partially conforms' with the PSIAS. The report contained nineteen recommendations for improvement, of which twelve were addressed to the Interim Internal Audit Manager and seven to senior management in the council, and the main areas for improvement include:

- the organisational independence of Internal Audit is not in line with best practice as the Internal Audit Manager does not have authority to report in their own name or attend CMT without the approval of the Head of Governance and Assurance
- Internal Audit has focussed on the cyclical audit of council's main financial systems and has not been risk-based or aligned with organisational strategies and objectives
- periodic and formalised meetings between the Chief Executive and the Internal Audit Manager are not in place and the Chief Executive and Chair of the Audit, Risk and Scrutiny Committee are not formally contributing to the Internal Audit Manager's performance assessment as required by the PSIAS
- only the Internal Audit Manager within the Internal Audit Service holds a professional level audit or accountancy qualification
- although risks are considered for each engagement at the planning stage of the audit engagement, risks are not formally documented in the latter working papers or formally detailed in the audit report



- whilst the Internal Audit Manager has regularly attended training events such as those sponsored by SLACIAG, it was noted that two members of the audit team had only undertaken limited formal Continuing Professional Development (CPD). However, it is noted a business case report requesting more training for auditors has recently been submitted to senior management. There is no annual renewing training budget for Internal Audit.

**120.** The Interim Internal Auditor Manager, who has been in post since 2023, and senior management agreed to address the recommendations for improvement (where applicable) contained within the EQA report and progress on the action being taken will be reported to the Audit, Risk and Scrutiny Committee on a regular basis.

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## Recommendation 1

The Council Management Team (CMT) should ensure that the Interim Internal Audit Manager is supported and has sufficient resources to meet the requirements of the Public Sector Internal Audit Standards.

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### The council has revised its target date of achieving net zero carbon emissions in Dumfries and Galloway

**121.** The council declared a climate emergency on 27 June 2019. At the same time, it set out a 12-point plan to achieve an ambitious area-wide - Dumfries and Galloway as a whole, not just the council - net zero carbon emissions target by 2025. This was the most ambitious target set by a Scottish council.

**122.** As part of our 2022/23 Best Value work we highlighted that there were no references to the target for Dumfries and Galloway to achieve a net zero carbon status by 2025 in either the Council Plan 2023-28 or the annual delivery plan.

**123.** We recommended that the council should clearly set out its net zero emissions target and how it plans to achieve it. In response, the Council discussed a report in March 2024 which highlighted that a desktop review was undertaken by officers to provide additional clarity on the activities and targets of other local authorities and the national picture surrounding the transition to net zero. The report contained a number of recommendations which were approved by Council, including:

- Dumfries and Galloway Council becoming a carbon neutral organisation by 2033
- Dumfries and Galloway Council supporting the region to become a net zero region on or before 2040 with a transition to a carbon negative region by 2045.

## **Cyber security arrangements are reviewed regularly by the Audit, Risk and Scrutiny Committee**

**124.** The council recognises cyber security in its corporate risk register (as information management), this is reviewed regularly by the Audit, Risk and Scrutiny Committee. A number of controls are in place in relation to addressing this risk. The council uses the services of a security partner, who provides a number of services in relation to cyber security, and the prevention and response to incidents.

**125.** On 16 April 2024, a report was presented to the Audit, Risk and Scrutiny Committee meeting to provide elected members with an opportunity to consider the council-wide risk relating to information management in more detail.

**126.** The report highlighted that a Data Protection Incident Contingency Plan has been developed to ensure a plan is in place that gives an appropriate response to be followed should a large-scale data breach occur. An exercise to test the robustness of the plan is still to be carried out and this exercise is currently being developed with colleagues. Following this exercise, the plan, will be communicated to all council staff and a Communications Plan developed.

**127.** In addition, the report notes that analysis is taking place to identify where data breaches are regularly occurring and at what level of the organisation. Following this analysis, all training requirements will be identified. Any lessons learned will be communicated to all staff. The report also set outs a number of controls that are already in place in relation to the information management risk, as well as the planned actions to further mitigate this risk.

**128.** Members noted the existing measures in place and planned actions to manage the council's information management risk and agreed that these are sufficient.

**129.** The council has a Business Technology Solutions (BTS) Service Continuity Plan (October 2022) and a Business Continuity for Key Infrastructure and Disaster Recovery Plan (September 2022) in place, and these cover cyber incidents when or if they occur. These are supported by individual service business continuity plans which give regard to the impact of interruption to the council's main ICT infrastructure and actions to mitigate this, as well as other service business continuity areas. However, we identified that these plans have not been tested since 2019.

## **The register of interest for each elected member is updated on an annual basis**

**130.** In 2022/23 we recommended that the council should update the register of interest for each elected member on an annual basis, even if there have been no changes advised, to confirm all registers of interest are up to date. Our review of the register of interest for each elected member during 2023/24 confirmed that our recommendation had been actioned as agreed.

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# 6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusions

The annual 2023/24 service performance reports show that the council was on track to achieve many of its Council Plan 2023-28 performance targets.

The council's overall performance, taken from the Local Government Benchmarking Framework (LGBF), that does not reflect council priorities, shows 54 per cent of service indicators improving over time. While 48 per cent of national indicators are in the top two quartiles of councils for 2022/23, this has fallen from 55 per cent in the base year, showing the rate of service improvement has slowed compared to others.

Officers provided a detailed analysis of its own LGBF data for 2022/23 to elected members in April 2024 which shows how the council performs over time and compares to others to help identify areas for focus and where lessons could be learned from other councils.

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## **The annual 2023/24 service performance reports show that the council was on track to achieve many of its performance targets**

**131.** Progress against the council's 411 KPIs within end of year assessment reports for 2023/24 in respect of service business plans reported to the relevant service committees in May and June 2024 is shown in [Exhibit 6](#) overleaf. Of the 292 indicators that could be reported on, 73 per cent are on target, 8 per cent are within acceptable limits and 19 per cent are off target. These results are similar to 2022/23 where, for the 338 indicators that could be reported on for 2022/23, 74 per cent were on target, 6 per cent were within acceptable limits and 20 per cent were off target.

**Exhibit 6****Performance information for 2023/24**

<b>Service</b>	<b>On track</b>	<b>Target not met but within acceptable limits</b>	<b>Target not met and outwith acceptable limits</b>	<b>Data Only (baseline being established)</b>	<b>No data available/published*</b>
Community Services	13	-	2	7	3
Economy and Development	18	3	6	-	4
Finance and Procurement	20	1	2	5	5
Education – Learning and Resources	4	1	1	-	1
Education – Quality and Curriculum	26	7	15	2	5
Social Work	6	1	7	4	22
People and Transformation	25	3	5	8	13
Neighbourhood Services	45	3	5	2	10
Roads and Infrastructure	16	2	4	2	14
Governance and Assurance Service	31	2	7	2	5
Assessor and Electoral Registration Officer	9	-	2	2	3
<b>Total</b>	<b>213</b>	<b>23</b>	<b>56</b>	<b>34</b>	<b>85</b>

Source: Dumfries and Galloway Council Heads of Service End of Year Assessment Reports (1 April 2023 – 31 March 2024) of Service Plans 2023/24 to Service Committees

\* Includes a number of LGBF indicators for which the latest data relates to 2022/23.

**132.** The end of year performance reports contain an appendix which explains why the indicators in [Exhibit 6](#), are off target and highlights improvement

actions, which provides information for scrutinising progress in the delivery of the service business plans by the relevant service committee for each of the council's services. Areas identified for improvement include:

- Percentage of pupils in lowest 20% SIMD achieving 5 or more awards at SCQF level 6 or higher was 12 per cent against a target rate of 22 per cent
- School Exclusion Rates per 1,000 pupils was 19.7 per cent against a target rate of 11.9 per cent
- Annual number of tourism visits to Dumfries and Galloway through major festivals and events strategy was 28,240 applications against a target of 37,500 applications
- The average time (weeks) to deal with local planning applications during the year was 19.3 weeks against a target of 10.3 weeks
- The number of farms checked to ensure legal compliance in their trading activities was 125 premises against a target of 150 premises.

**133.** Areas of good or improving performance include:

- Number of homeless applications received where someone has been a looked after child by the council less than 5 years ago was 28 applications against a target of 30 applications
- The number of higher risk food premises inspected by Environmental Health was 324 premises against a target of 300 premises
- School Exclusion Rates for Looked after Children (LAC) per 1,000 pupils was 50 per cent against a target rate of 77.8 per cent
- Number of days to process Housing Benefit (New Claims) was 12.1 days against a target of 28 days
- Number of Homeless Families in Temporary Accommodation (including Lone Parents) was 34 against a target of 40
- The average time (weeks) to deal with major development planning applications was 18 weeks against a target of 35 weeks
- The number of new, small and medium sized businesses identified given advice and supported by Trading Standards and Environmental Health to ensure legal compliance in their trading activities was 239 businesses against a target of 100 businesses.

**Officers provided a detailed analysis of its own LGBF data for 2022/23 to elected members in April 2024. While 48 per cent of national indicators are in the top two quartiles of councils, this**

## has fallen from 55 per cent in the base year, showing the rate of service improvement has slowed compared to other councils

**134.** The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

**135.** The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework 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. In analysing the LGBF data it is recognised that local policy choices about council services and strategic priority areas and the different context in which councils operate will have an impact on the results.

**136.** Through our 2022/23 Best Value work we recommended that officers should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements. Following the publication of the 2022/23 LGBF data by the [Improvement Service](#) in March 2024, officers provided elected members with a briefing note which provides detailed analysis including:

- Graphs showing the council performance alongside the Scottish average figure and the family group average figure
- A more detailed look at the council's family group performance
- Family group quartile ranges and the council position.

**137.** The [detailed briefing note of the 2022/23 LGBF data](#) provided to elected members is available from the performance information section of the council's website. The council's briefing note highlights that 48 per cent of the council's 2022/23 indicators are in the top two quartiles compared to 36 per cent in 2020/21 and 37 per cent. However, a review of the LGBF data on the [Improvement Service](#) website shows that the number of indicators in the top two quartiles in the base year was 55 per cent which indicates that whilst the council's overall performance year-on-year has improved in some areas, its performance has improved more slowly than other councils over this period.

**138.** The detailed briefing note states that the council's analysis highlights those indicators where performance is not where it needs to be to deliver the strategic outcomes within the Council Plan and includes observations and actions that have been identified for the responsible Head of Service to address underperformance. The briefing note also states that further engagement with the responsible Head of Service will be carried out and local context in terms of their actions will form part of a further update to elected members.

**139.** Dumfries and Galloway Council should use its detailed analysis of the LGBF data alongside its engagement with its communities to assess its local performance and priorities. The performance of the council compared with neighbouring or similar councils in its detailed analysis can also be used to

assess the effectiveness of its investment in priority areas and to inform and identify where improvements and better outcomes for its communities can be achieved.

**The council's overall performance, taken from national benchmarking data, shows an improving position year-on-year for 54 per cent of the service indicators**

**140.** The 2022/23 LGBF data on the council, published by [Improvement Service](#) in March 2024, shows that, of the 101 indicators reported to date that are relevant to the council, 55 (54 per cent) of these have improved over time since the base year. Based on the indicators within each service area, the council shows an overall improving position over time for just over half of the indicators.



# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. External Quality Assessment of Internal Audit</b></p> <p>The External Quality Assessment (EQA) report contained nineteen recommendations for improvement, to be implemented to conform to internal audit quality standards. There is a risk that the Internal Audit function is not sufficiently resourced to fully conform with internal audit quality standards.</p>	<p>The Council Management Team (CMT) should ensure that the Interim Internal Audit Manager is supported and has sufficient resources to meet the requirements of the Public Sector Internal Audit Standards.</p> <p><a href="#">Paragraph 120.</a></p>	<p><b>Accepted</b></p> <p>Review of Internal Audit Function to be carried out by 1 April 2025. This will include consideration of the needs of the council in terms of the Internal Audit function and appropriate resourcing to meet those needs.</p> <p>Assistant Director Governance and Human Resources</p> <p>1 April 2025</p>

## 2023/24 recommendations from the BV thematic report on workforce innovation

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Workforce strategies and priorities</b></p> <p>It is not clear how staff feedback on workforce planning is incorporated into final workforce related plans.</p>	<p>The council should continue to support staff to feed into workforce planning activities. It must be more transparent on how it incorporates and acts on staff feedback into future iterations of the Workforce Plan.</p>	<p><b>Accepted</b></p> <p>Development of Service People Plans – through team meetings, focus groups and development sessions.</p> <p>All feedback to be captured in a People Plan engagement feedback document and linked through to future iterations.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>People Plans to be aligned with Service Planning and reporting.</p> <p>Organisational Development Manager</p> <p>December 2024</p>
<p><b>2. Flexible working</b></p> <p>The council has a range of flexible working policies in place, but it could do more to ensure that staff are aware of these policies, and work to ensure that flexible working is supported as much as possible, to staffing groups across the organisation.</p>	<p>The council should continue to monitor the impact of its hybrid working practices when it is considering how to roll them out more widely to staff and ensure that staff across the council are aware of flexible working policies on offer.</p>	<p><b>Accepted</b></p> <p>Publicity campaign led by HR and Communications Team to whole workforce to reinforce policies in place for flexible working.</p> <p>Update and refresh HR guidance on Connect annually to ensure most up to date info available to workforce.</p> <p>Carry out periodic staff surveys for those on flexible working patterns to assess impact/benefits.</p> <p>To develop HR Metrics alongside the roll out of HR Business Partnering to assess the strategic impact of flexible working on productivity and performance.</p> <p>Human Resources Manager</p> <p>December 2024</p>
<p><b>3. Developing future skills and capacity</b></p> <p>The council have implemented a series of changes to how services are delivered, but strategic changes are not always communicated to staff.</p>	<p>The council must ensure that it is transparent and communicative with all staffing groups around organisational change, and work to ensure that staff are appropriately supported through redeployment and restructuring processes.</p>	<p><b>Accepted</b></p> <p>Develop an internal communication plan and guidance to support Organisational Change.</p> <p>Organisational Development Manager</p> <p>March 2025</p>
<p><b>4. Monitoring the temporary workforce</b></p> <p>The council do not collect data on the number of</p>	<p>The council should monitor and report on the cost v benefit of utilizing the agency staffing workforce as part of</p>	<p><b>Accepted</b></p> <p>HR Business Partners to engage with Chief Officers and Procurement to support</p>

Issue/risk	Recommendation	Agreed management action/timing
agency staff employed within the council.	its routine workforce planning analysis.	<p>systems development on the contracting, recording, analysis, cost, efficiency, and performance of agency staff working within services.</p> <p>Report six monthly to Senior Leadership Team as part of an HR Metrics report on usage of agency staff, cost, and benefit analysis to the service.</p> <p>Human Resources Manager November 2024</p>
<p><b>5. Measuring the impact of workforce planning</b></p> <p>As the council progresses with its workforce planning activity, measuring the impact of initiatives, such as skills programmes and wellbeing initiatives, will be important to allow ongoing monitoring of such approaches.</p>	<p>The council should continue to monitor the impact of workforce initiatives on service performance and staff development, through reporting on appropriate metrics which capture the impact of any activity. It should also measure the impact of wellbeing approaches and their impact on staff wellbeing and sickness absence.</p>	<p><b>Accepted</b></p> <p>Develop a People Experience Framework to evaluate and measure the success and impact of our action plans. This includes measuring our action plans from our People Strategy, Council Workforce Plan and People Survey.</p> <p>The People Experience Framework will be presented to committee annually.</p> <p>Human Resources Manager June 2025</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 1. DRC valuation assumptions</b></p> <p>For the other land and buildings revalued in 2022/23 using the depreciated replacement cost (DRC) method, the valuer has included finance costs in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance.</p>	<p>The council should further discuss the inclusion of finance costs in the DRC valuations with its valuer.</p> <p><u>Agreed management action:</u></p> <p>Officers will request that finance costs are removed from 31 March 2024 and future DRC valuations in line</p>	<p><b>Implemented</b></p> <p>Finance costs were not included in the DRC valuations undertaken as at 31 March 2024. An adjustment of £16.283 million was made to the opening gross book value of other land and buildings at 1 April 2023 to remove the finance</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>However, the Code of Practice for Local Authority Accounting in the United Kingdom (the Code) states that finance costs should be excluded from DRC valuations.</p> <p><b>Risk:</b> Other land and buildings may be materially misstated.</p>	<p>with the CIPFA Code of Practice.</p> <p>Corporate Landlord</p> <p>March 2024</p>	<p>costs included in prior year DRC valuations.</p>
<p><b>b/f 2. Management commentary disclosures</b></p> <p>The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) recommends that the management commentary that accompanies the annual accounts includes a balanced and comprehensive analysis of service performance and a description of the principal financial and non-financial risk faced by the council during the year. However, the disclosures management commentary in the council's 2022/23 annual accounts do not fully address these recommendations.</p> <p><b>Risk:</b> The council's management commentary does not provide a fair and balanced picture of its performance and operational activity for the year as recommended by the Code.</p>	<p>The council should review its management commentary within the 2023/24 annual accounts to include:</p> <ul style="list-style-type: none"> <li>expanded service performance disclosures which meet the requirements of the Code, including the insertion of key performance indicators for non-financial performance</li> <li>details of both the financial and non-financial risks facing the council as set out in the council's risk register.</li> </ul> <p><u>Agreed management action:</u></p> <p>Commentary for the 2023/24 accounts will be prepared in accordance with the Code of Practice for Local Authority Accounting in the UK and addressing the points noted.</p> <p>Business Intelligence Manager</p> <p>May 2024</p>	<p><b>Implemented</b></p> <p>Our review of the disclosures in the 2023/24 management commentary confirmed that officers have addressed our recommendation.</p> <p>See <a href="#">Paragraph 34.</a></p>
<p><b>b/f 3. Annual governance statement</b></p> <p>The assurance process for the annual governance statement included in the annual accounts could be improved through the</p>	<p>Year-end certificates of assurance from directors and heads of service should be completed for review by the Chief Executive as part of the production of the annual governance statement.</p>	<p><b>Implemented</b></p> <p>We confirmed during our audit of the 2023/24 annual governance statement that governance compliance assurance certificates for</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>completion of year-end certificates of assurance from directors and heads of service for review by the Chief Executive as part of the production of the annual governance statement.</p> <p><b>Risk:</b> Significant governance disclosure issues may not be highlighted in the annual governance statement.</p>	<p><u>Agreed management action:</u></p> <p>We are preparing a draft Certificate of Assurance to be issued to Heads of Service to certify in advance of the final submission of the Annual Governance Statement (2023-24) and review by the Chief Executive. A statement to that effect will be inserted into the Annual Governance Statement and the Certificates appended to provide that assurance.</p> <p>Head of Governance and Assurance</p> <p>May 2024</p>	<p>2023/24 had been completed by executive directors.</p> <p>See <a href="#">Paragraph 35.</a></p>
<p><b>b/f 4. Public performance reporting</b></p> <p>In 2022/23, the council did not report to elected members or the public a summary of its performance against its own priorities. In addition, it did not produce a public report on its performance over time or performance compared to others in the LGBF.</p> <p><b>Risk:</b> The council is not fully complying with SPI direction in relation to public performance reporting.</p>	<p>The council needs to improve its public performance reporting by:</p> <ul style="list-style-type: none"> <li>• providing a summary of performance showing how many indicators relating to its own priorities are improving, deteriorating or staying the same</li> <li>• ensuring members of the public can access its tailored LGBF analysis</li> <li>• ensuring its public performance reporting webpages have working links, are up-to-date and information can be easily accessed</li> <li>• ensuring service self-assessments and service reviews are more accessible on its website</li> <li>• ensuring there are links to the results of audit and inspection reports on the council together with the council's response to these.</li> </ul>	<p><b>Implemented</b></p> <p>Update from Director Economy and Resources to Leadership Panel in March 2024 highlighted:</p> <p><u>Bullet points 1,2, 4 and 5 -</u> <b>ON TRACK – IN PROGRESS</b></p> <p>A summary of performance showing how many indicators relating to its own priorities are improving or deteriorating will be prepared following review of the 2023/24 Council Plan Annual Delivery in March 2024. This will be available and shared early April 2024.</p> <p>The updated tailored LGBF analysis was reviewed by Corporate Management Team on 13 March and will be shared with Elected Members and made available on the Council's website w/c 18 March 2024.</p>

Issue/risk	Recommendation and Agreed Action	Progress
	<p><u>Agreed management action:</u></p> <p>Formal reporting on LGBF will be reintroduced and the performance pages on the website will be reviewed to ensure public performance reporting requirements are fully met making use of new technologies.</p> <p>Business Intelligence Manager</p> <p>March 2024</p>	<p>Arrangements are in place to ensure that all future self-assessments and formal service reviews are available on the Council's website. A programme of self-assessments is taking place late 2024 and into 2025 – the outputs from these will be made available.</p> <p>Work is ongoing with the web-team to refresh the Audit and Inspection section of the website, providing links to the audit and inspection reports. This will be live by the end of March.</p> <p><u>Bullet point 3 - PPR Webpages - COMPLETE</u></p> <p>The public performance reporting webpages have been updated and all links reinstated.</p> <p><u>External Audit update:</u></p> <p>Following the publication of the 2022/23 LGBF data by the Improvement Service in March 2024, officers provided elected members with a briefing note which provides detailed analysis including:</p> <ul style="list-style-type: none"> <li>• Graphs showing the council performance alongside the Scottish average figure and the family group average figure</li> <li>• A more detailed look at the council's family group performance</li> <li>• Family group quartile ranges and the council position.</li> </ul> <p>The <a href="#">detailed briefing note of the 2022/23 LGBF data</a></p>



Issue/risk	Recommendation and Agreed Action	Progress
		provided to elected members is available from the performance information section of the council's website.
<p><b>b/f 5. NFI activity</b></p> <p>The council has not been adequately proactive in investigating matches and reporting the outcomes of NFI activity to elected members.</p> <p><b>Risk:</b> The council might be missing opportunities to identify overpayments and discounts awarded incorrectly on a timely basis.</p>	<p>The council should prioritise investigation NFI matches and reporting the outcomes of NFI activity to elected members on a regular basis.</p> <p><u>Agreed management action:</u></p> <p>Internal Audit are taking on responsibility for co-ordinating the Council's response to NFI in November 2023. An update will be provided to Committee in February 2024.</p> <p>Chief Internal Auditor November 2024</p>	<p><b>Implemented</b></p> <p>The Interim Internal Audit Manager presented a report to the Audit, Risk and Scrutiny Committee in June 2024 which provided an update on the outcomes from the investigation of NFI matches. The report highlights that officers investigating the matches did so with the support and advice from Audit Scotland officers involved in NFI.</p>
<p><b>b/f 6. Registers of interest</b></p> <p>Although elected members are contacted annually to confirm their register of interest is correct or advise of any amendments, a nil response is taken as acknowledgement that the published register of interest is current and the relevant registers are not updated to show that there has been no change.</p> <p><b>Risk:</b> A potential related party is not disclosed in an elected member's register of interest.</p>	<p>The council should update the register of interest for each elected member on an annual basis, even if there have been no changes advised, to confirm all registers of interest are up to date.</p> <p><u>Agreed management action:</u></p> <p>This recommendation is accepted and will be actioned. An update will be completed by 31 December 2023 and thereafter the annual process which normally takes place in April (during the preparation for the final accounts) will comply with the recommended course of action.</p> <p>Democratic Services Manager</p>	<p><b>Implemented</b></p> <p>Our review of the register of interest for each elected member confirmed that our recommendation had been actioned.</p>



Issue/risk	Recommendation and Agreed Action	Progress
	31 December 2023 (April annually thereafter)	

## Follow-up of 2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation and Agreed Action	Progress
<p><b>b/f 1. Performance management</b></p> <p>The planned performance reporting framework should now be progressed to monitor service performance and delivery of its priorities.</p> <p>Key to the achievement of the priorities and outcomes in the Council Plan will be the detailed service business plans that sit beneath this. These are due to be approved in August 2023<sup>1</sup>.</p>	<p>The measurement framework to assess the impact of progress on agreed outcomes needs to be put in place and progress reported regularly to elected members.</p> <p>The service delivery plans should:</p> <ul style="list-style-type: none"> <li>• Provide a clear link to the council's agreed outcomes.</li> <li>• Include an improvement action plan and measurable targets.</li> <li>• Align with the financial and workforce position of the council.</li> <li>• Be subject to regular review and update.</li> <li>• A balanced view of progress should be reported regularly to members.</li> </ul> <p><u>Agreed management action:</u></p> <p>A report is planned for Full Council in October 2023<sup>2</sup> with proposals for a focussed suite of measures for the</p>	<p><b>Work in progress / Implemented</b></p> <p>A report was presented to the Audit, Risk and Scrutiny Committee in September 2024 providing an update on progress with the recommendations made in our 2022/23 Best Value thematic report. This highlighted that:</p> <p><u>Measurement Framework - IN PROGRESS</u></p> <p>The Council Plan measurement framework is progressing and expected to be presented to Full Council in December 2024 – expert advice and support from the Improvement Service has been engaged and has been working with the Council to develop these. A Members Seminar was held in August 2024 to gain input on the draft framework. This will be further refined, with Political Group engagement planned</p>

<sup>1</sup> The service plans for 2023/24 were presented to service committees in August and September 2023

<sup>2</sup> This date has now been revised to early 2024

Council Plan, based on published evidence and aligned to the agreed Council Plan strategic outcomes.

The CMT will oversee a quarterly review of progress across activity within the annual delivery plan and ensure any actions or follow up required is undertaken throughout the year.

The review of the first quarter data and progress is scheduled for CMT in August 2023<sup>3</sup>. Regular six monthly progress reports will be presented to service committees through 2023/24 service business plans performance reporting from November 2023.

Director Economy and Resources

6 October 2023

prior to reporting to Committee in December 2024.

#### Service Delivery Plans - COMPLETE

Quarterly monitoring of Council Plan delivery has been reported through CMT during 2023/2024 and the Annual Delivery report will be reported to Full Council at the end of March 2024 as agreed.

Council Plan Delivery is embedded in Service Plans and have been reported through Service Committees in six month progress reports.

The service plans for 2023/24 were presented to service committees in August and September 2023.

## **b/f 2. Climate change target**

The council declared a climate emergency on 27 June 2019. At the same time, it set out a 12-point plan to achieve net zero carbon emissions target by 2025.

However, there are no references to the target for Dumfries and Galloway to achieve a net zero carbon status by 2025 in either the

The council should clearly set out its net zero emissions target and how it plans to achieve it.

#### Agreed management action:

The Council's Cross Party Working Group on Climate Change meets regularly and future reporting and updates to Committee will reflect their recommendations and considerations.

## **Implemented**

A report was presented to a meeting of the Council on 28 March 2024, which highlighted that, as a result of our recommendation, a desktop review was undertaken by officers to provide additional clarity on the activities and targets of other local authorities and the national picture surrounding the transition to net zero.

<sup>3</sup> This was reported on 30 August 2023

Council Plan 2023-28 or the annual delivery plan.

There is a risk that without clear targets the council will not meet the net zero emissions target by 2025.

As part of these discussions the future targets for net zero emissions and actions – working with regional and national partners – will be re-established and recommendations brought to Committee for consideration.

Director Economy and Resources

31 March 2024

The report contained a number of recommendations which were approved by Council, including:

- Dumfries and Galloway Council becoming a carbon neutral organisation by 2033
- Dumfries and Galloway Council supporting the region to become a net zero region on or before 2040 with a transition to a carbon negative region by 2045.

### **b/f 3. Asset management strategy**

An asset management strategy should be in place to demonstrate the right assets are in place to support delivery of services in line with priorities. This should support the council's capital plans.

The council should introduce an asset strategy and plans to demonstrate that it has the right assets in place to support the delivery of services.

#### Agreed management action:

The Council will develop an Asset Management Plan (AMP) for all built assets.

Survey data is scheduled to be complete by August 2023 which will inform the development. Following completion of the surveys a programme of engagement and discussion will take place with Council services to gather further information and data. The intention is for this to complete by February 2024. Thereafter the AMP will be prepared and presented to Committee for approval.

Property, Estates and Programme Manager

30 June 2024

### **Work in progress**

A report was presented to the Audit, Risk and Scrutiny Committee in September 2024 providing an update on progress with the recommendations made in our 2022/23 Best Value thematic report. This highlighted that the final draft of the Asset Management Plan (AMP) is under review by the service and following this the AMP will be shared with senior management and officers to engage with political groups for feedback over the coming of months. The council intends to have a final AMP for approval by elected members in January 2025.

### **b/f 4. Monitoring capital projects**

Reports to members on the capital programme show cost information and

As well as cost information, reports to members on the capital programme should show progress against planned project timelines.

### **Implemented**

The Capital Investment Strategy Monitoring 2023/24 – Quarter 1 report presented to the Finance, Procurement

a general narrative on the projects but there is no reporting of planned project completion timelines.

Agreed management action:

All Quarterly Asset Class Monitoring Reports to Service Committee will include an additional appendix showing progress against planned project timelines from financial year 2023/24. The Quarterly Monitoring Reports presented to the Finance, Procurement & Transformation Committee will reflect similar information for agreed priority projects. Arrangements will be issued by the Head of Finance & Procurement to support this.

Head of Finance and Procurement

31 August 2023

and Transformation Committee on 29 August 2023 includes a project status report as an appendix which provides, for each project, the following information:

- current stage of project/programme
- percentage completion
- target completion date
- projected completion date
- programme red/amber/green status in terms of completion date against target
- costs to date as a percentage of total available budget
- programme red/amber/green status in terms of cost to completion.

**b/f 5. Workforce planning**

A council-wide Workforce Plan covering the period 2019-2022 was developed and a People Strategy covering the period 2021-2026 was approved November 2021. However, they have not been reviewed to ensure alignment with the new Council Plan priorities.

Both the council-wide Workforce Plan and People Strategy should be updated to align with the Council Plan 2023-28.

Agreed management action:

The Council's People Strategy has been updated to align with the new Council Plan.

Workforce Plans are already being refreshed and these will be presented to members later this year.

Head of People and Transformation

**Implemented**

The new Council Workforce Plan 2023-28 was approved by Economy and Resources Committee in March 2024. The plan is linked to the Council Plan 2023-28. It also provides linkages with the council's People Strategy 2021-26, the Digital and ICT Strategy 2021-26, and the Health and Social Care Workforce Plan 2022-25. The plan reflects the broad financial challenges ahead for the council, but it does not directly link with the council Budget 2023/24 – 2025/26. The plan was produced through consultation exercises with stakeholders, including:

- distributing a Microsoft form to service leads containing specific

30 November 2023<sup>4</sup>

questions about challenges and gaps

- engaging with managers to identify risk areas and hard to fill posts.

The People Strategy 2021-26 reflects the principles of the Council Plan 2023-28 and is an integral document for the council in supporting its strategic aims which are: safeguard our future; support our citizens; support our communities; and be a responsive council. It outlines the council's ambition of how it wants to engage and develop the workforce and identifies key priorities and drivers.

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#### **b/f 6. LGBF reporting**

The council has not produced LGBF reports for elected members for the last few years. In March 2023, when the 2021/22 LGBF data became available, the council sent an email to all elected members to draw their attention to it, highlighting the newly-improved online LGBF dashboard with detailed indicator level analysis. However, it did not include narrative on why the council's own performance might differ from other councils.

The council is missing opportunities to identify areas

The council should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements.

#### Agreed management action:

The detailed briefing reports provided to Elected Members on LGBF pre pandemic will be re-instated for the 2022/23 LGBF publication.

LGBF comparison is being utilised as part of budget development and change and savings development and is

#### **Implemented**

Following the publication of the 2022/23 LGBF data by the Improvement Service in March 2024, officers provided elected members with a briefing note which provides detailed analysis including:

- Graphs showing the council performance alongside the Scottish average figure and the family group average figure
  - A more detailed look at the council's family group performance
-

for improvement from LGBF data.

informing programmes of work.

Director Economy and Resources

By 31 March 2024 – LGBF next publication

- Family group quartile ranges and the council position.

The [detailed briefing note of the 2022/23 LGBF data](#) provided to elected members is available from the performance information section of the council's website.

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<sup>5</sup> This date has now been revised to early 2024

# Dumfries and Galloway Council

## 2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

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