

South Lanarkshire Council

2023/24 Annual Audit Report – issued



 AUDIT SCOTLAND

Prepared for the Members of South Lanarkshire Council and the Controller of Audit
September 2024

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Key messages

2023/24 annual accounts

- 1 Our audit opinions on the annual accounts of South Lanarkshire Council (the Council), its group and the section 106 charities administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Financial management and sustainability

- 3 The Council continues to operate within its annual budget. While facing financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining general fund reserves in line with the long term Revenue Financial Strategy.
- 4 The Council transformational change programme is underway to help the Council achieve a balanced budget, and support medium and long term financial plans.
- 5 The Council has effective budget monitoring arrangements. Given the financial pressures, the Council is continuing to assess its reserves strategy and review how it assesses, monitors and reports on its financial resilience.

Best Value

- 6 The Council's Workforce Plan 2022-25 is supported by detailed service level plans, however there is an opportunity for this to have a more strategic focus.
- 7 The Council is using digital technology to support new ways of working but has not yet set out how it plans to use digital technology to shape its future workforce.
- 8 Our follow up work of Best Value improvement recommendations from 2022/23 concluded that the Council has now addressed these recommendations.

Vision, leadership and governance

- 9 The Council has a clear vision, strategy, and priorities.

- 10** The Council has effective and appropriate governance arrangements for delivery of its plans.
- 11** A new Chief Executive and Executive Director of Finance and Corporate Resources were appointed during 2023/24.
- 12** The Council has a Management Development programme in place to support succession planning.

Use of resources to improve outcomes

- 13** The Council has an effective performance management framework in place.
- 14** The Council's overall performance has improved compared to its prior year results but has declined compared with the Scottish average.
- 15** The Council has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, that meet the needs of service users.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of South Lanarkshire Council. The scope of the audit was set out in an Annual Audit Plan presented to the 26 March 2024 meeting of the Risk and Audit Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of South Lanarkshire Council's annual accounts
- conclusions on South Lanarkshire 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 South Lanarkshire Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. John Boyd has been appointed by the Accounts Commission as auditor of South Lanarkshire Council for the period from 2022/23 until 2026/27. The 2023/24 financial year was the second year of the five-year appointment.

4. We would like to thank councillors, risk and audit scrutiny committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year's audit and we look forward to working together constructively over the remainder of the five-year appointment.

Responsibilities and reporting

5. South Lanarkshire 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. South Lanarkshire 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.

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

7. 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 South Lanarkshire Council from its responsibility to address the issues raised and to maintain adequate systems of control.

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

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 £625,070 (including £3,500 in respect of Charitable Trusts) 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. The annual audit adds value to South Lanarkshire 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.

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.

Main judgements

Our audit opinions on the annual accounts of South Lanarkshire Council, its group and the section 106 charities administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.

The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Audit opinions on the annual accounts are unmodified

11. The Council approved the annual accounts for South Lanarkshire Council and its group for the year ended 31 March 2024 on 24 September 2024. In addition to the Council the group accounts consolidate the financial results of the Council and its subsidiaries and its investments in associates and interests in joint ventures. These include: Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee, Lanarkshire Valuation Joint Board, South Lanarkshire Integration Joint Board, South Lanarkshire Leisure and Culture Limited, Routes to Work South, Clyde Valley Learning and Development Joint Committee and the Common Good Fund.

12. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 Local Authority Accounts (Scotland) Regulations 2014
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed on receipt of the unaudited annual accounts as £26.5 million

13. 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.

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

Exhibit 1

Materiality values

Materiality level	Council	Group
Overall materiality	£26.5 million	£26.8 million
Performance materiality	£18.6 million	£18.8 million
Reporting threshold	£1.33 million	£1.34 million

Source: Audit Scotland

15. The overall materiality threshold for the audit of the annual accounts of South Lanarkshire Council and its group was set with reference to gross expenditure, which was judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. We have used our professional judgement and set performance materiality at 70 per cent of overall materiality.

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

18. Under ISA (UK) 260, we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the council's accounting practices.

19. The Code of Audit Practice also requires us to highlight key audit matters, which are defined in ISA (UK) 701 as those matters judged to be of most

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

Exhibit 2

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

Issue	Resolution
<p>1. Non-current assets</p> <p>Council house valuations: Council dwellings require to be valued on an Existing Use Value – Social Housing (EUV-SH) basis.</p> <p>The Beacon Method is the methodology which estimates this. The Beacon principle is used for large groups of properties that contain a similar design, age, type, or construction.</p> <p>A sample property (the beacon) is selected, which is representative of the group, and a detailed inspection and valuation carried out. For the purposes of this exercise 'representative of the group' means the most typical or frequently occurring type of dwelling within the group.</p> <p>The Beacon valuation is compared with the other properties within the group. The aim is to accurately reflect the range of values within the group.</p> <p>The approach taken by the Council draws on elements of Guidance for Valuers issued in 2016, however the Council should ensure that the methodology applied is consistent to factor in different types and ages of property.</p>	<p>The Council provided a detailed summary paper to management outlining the approach undertaken and assurances that the approach taken does not result in a material misstatement of the overall council house stock value.</p> <p>Recommendation 1</p> <p>(Refer Appendix 1, action plan)</p> <p>The valuer should review the current valuation process against applicable guidance to assure themselves that the valuation process remains fit for purpose.</p>

Source: Audit Scotland

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

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals at the year-end and post-closing entries and focus on significant risk areas. Consider the need to test journal entries and other adjustments throughout the year. Evaluate significant transactions outside the normal course of business. Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. 	<p>Results: We found no instances of material misstatement due to fraud or error caused by management override of controls.</p> <p>Assurance has been gained that in year and year end journals were properly processed.</p>
<p>2. Estimation in the valuation of land and buildings.</p> <p>South Lanarkshire Council held land and buildings with a net book value of £3,324 million at 31 March 2023.</p> <p>There can be 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</p>	<ul style="list-style-type: none"> Review the information provided to the external valuer to assess for completeness. Evaluate the competence, capabilities, and objectivity of the professional valuer. Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. Critically assess the approach South Lanarkshire Council has adopted to assess the risk that assets not subject to valuation 	<p>Results: Assurance has been gained that there are no material misstatements in the carrying value of land & buildings.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>result in material changes to valuations.</p> <p>Valuations should reflect conditions at 31 March 2024 including those subject to valuation, those valued earlier in the year and those not re-valued.</p> <p>There is a risk that the carrying value of land and buildings does not reflect the current value as at 31 March 2024.</p>	<p>are materially misstated and consider the robustness of that approach.</p> <ul style="list-style-type: none"> Review the appropriateness of the key assumptions used in the valuation of land and buildings as well as the underlying data used to support the estimate. Critically assess the adequacy of South Lanarkshire Council's disclosures regarding the assumptions in relation to the valuation of land and buildings. 	

Source: Audit Scotland

21. In addition, as part of our assessment of audit risks, we identified other areas where we considered there were also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we did not consider these to represent significant risks. These areas of specific audit focus were:

22. Pension Valuation: the pension valuation due to the material value and significant assumptions used in the calculation of the carrying value. We utilised the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the Council's actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2024.

23. In accordance with IFRIC 14, the pension asset recognised within the financial statements was capped at the estimated future benefit to the Council. We have reviewed the assumptions applied by the actuary in arriving at the asset ceiling cap and are satisfied that this is in accordance with IFRIC 14. The net pension asset recognised was £NIL.

24. As part of our risk assessment, we have also identified the following areas where further work would be performed. These are not risk of material misstatement to the primary financial statements but areas to be kept under review:

25. IFRS 16: from 1 April 2024, a new International Financial Reporting Standard, IFRS 16, will come into effect for Local Authorities. IFRS 16 introduces a new 'Right of Use' asset class to the balance sheet, and also recognises the corresponding lease liability. This applies to all leases - property, land, vehicles, plant and equipment.

26. This will change the way in which South Lanarkshire Council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases. The

Council has prepared a summary paper outlining their preparations for the implementation of IFRS 16 from 2024/25.

27. In terms of recognition exemptions, IFRS 16 provides two major recognition and measurement exemptions to reduce the reporting burden on entities; short-term leases and low value leases. CIPFA has mandated the application of the recognition exemption for short term leases meaning that a lease that, at the commencement date, has a lease term of 12 months or less is exempt from the accounting treatment under IFRS 16.

28. For low value leases the recognition exemption is optional. The Council as lessee may elect not to apply the accounting treatment under IFRS 16 to low value leases. It is a matter for individual authorities to set a local policy to define what low value is in practice. The Council has elected to apply the low value recognition.

29. Under IFRS 16 the initial measurement of the lease liability is recognised at the commencement date and measured as the present value of the lease payments that are not paid at that date using the:

- interest rate implicit in the lease, or
- lessee's incremental borrowing rate (but only if the implicit rate cannot be readily determined)

30. The Council will use the PWLB annuity certainty rate that matches the term of the lease as a measure of its incremental borrowing rate in the event that the interest rate implicit in the lease cannot be readily determined.

31. IFRS 16 is a complex accounting standard and the Council has recognised that officers do not necessarily have the required skills and knowledge to undertake the implementation of IFRS 16 alone. The Council has awarded Link Treasury Services the contract for the procurement of leasing advice. The Council is also investigating the procurement of a software solution that meets the particular accounting requirements of IFRS 16 for local authorities.

32. Officers from Finance Services have been working alongside colleagues in other service departments to identify any leases that the Council may have in place. This exercise captured information at a specific point in time and will be reviewed and repeated throughout the current financial year. However the Council is not yet in a position to quantify the likely impact of IFRS 16.

Recommendation 2

The Council is progressing its review to support the implementation of IFRS 16 for the 2024/25 financial statements. The Council is not yet in a position to quantify the likely impact of IFRS 16. The Council should review the current timetable to ensure that key dates are being achieved to allow implementation in line with the project plan.

33. The **statutory override** relating to valuation of infrastructure assets is due to end for the 2024/25 financial statements. On 24 June 2024, the Scottish Government published; [Introduction - Local government finance circular 8/2024 - accounting for infrastructure assets: temporary statutory override - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/introduction-local-government-finance-circular-8-2024-accounting-for-infrastructure-assets-temporary-statutory-override/pages/2.aspx).

34. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, most local authorities have been unable to comply with the requirement to assess the net book value of a replaced component of an infrastructure asset and have taken a network approach to the measurement of such assets, treating the amount of the replaced component as having no value.

35. A temporary statutory override was introduced in August 2022, applying to the 2022/23 and 2023/24 financial years, in order to allow time for the CIPFA LASAAC Local Authority Accounting Code Board to conclude the development of a permanent solution.

36. However, a permanent solution has not yet been agreed and CIPFA believe that this will continue be an area of enhanced scrutiny for local government auditors. The statutory guidance will therefore be extended by a further 12 months, until 31 March 2025.

Recommendation 3

The Council should proactively work with CIPFA and the wider local government sector to arrive at appropriate solution for the implementation of accounting for infrastructure assets.

37. We kept these areas under review throughout our audit. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention.

There unaudited accounts were updated

38. The unaudited accounts were updated by management during the course of the audit to reflect an accounting adjustment. This resulted in a decrease in the deficit in the Comprehensive Income and Expenditure Statement of £86,622 and a corresponding increase the Usable Reserves balance on the Balance Sheet of £86,622. We are content the Council has correctly actioned the required adjustment.

39. The Council adjusted the opening balance of the 2023/2024 Group Movement in Reserves Statement to correct the classification between usable and unusable reserves of subsidiaries and associates. We are content the Council has correctly actioned the required restatement.

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

40. The unaudited annual accounts were received in line with the agreed audit timetable on 25 June 2024.

Our audit opinions on Section 106 charities were unmodified

41. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

42. The Council has made good progress in reducing or removing the number of charitable trusts where it is the sole trustee.

43. Our audit opinions on the Section 106 charities are unmodified.

Good progress was made on prior year recommendations

44. South Lanarkshire Council has made good progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Conclusion

The Council continues to operate within its annual budget. While facing financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining general fund reserves in line with the long term Revenue Financial Strategy.

The Council operated within budget in 2023/24

45. The Council approved its 2023/24 revenue budget of £895.702 million in February 2023. In its 2023/24 annual accounts, the Council reported an underspend on the provision of services of £26.351 million. This was mainly as a result of underspends in the corporate items budget which included unbudgeted income from a historic VAT claim, an underspend on loan charges reflecting the timing and level of borrowing and the resultant reduced interest charges, and an over-recovery of council tax. Following a number of agreed transfers to contribute to reserves, the final reported position was break-even.

46. The changes in the budget position were reported in revenue budget monitoring reports presented to the Executive Committee throughout the year. These reports contained a good level of detail on the forecast outturn position. There were no significant under or overspends during 2023/24 at a service level.

An underspend of £0.360 million was reported against the Housing Revenue Account (HRA) budget

47. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

48. The Council reported a £0.360 million underspend against the HRA budget for 2023/24 mainly as a result of a reduction in loan charges due to the Loans Fund review and additional rental income from new builds and purchased Council housing being greater than anticipated. These were offset by additional spend on repairs and maintenance. The underspend was transferred to the Housing Revenue Account Reserve resulting in a closing balance of £13.221 million in 2023/24.

The Council has appropriate and effective budget setting and monitoring arrangement in place

49. The Council continues to balance its budget each year and maintains the level of reserves is in line with the long term Revenue Financial Strategy.

50. From our review of these reports, we concluded that these provide an overall picture of the budget position at service level and good explanations for significant variances against budget. These allow both members and officers to carry out scrutiny of the Council's finances.

51. The Council has appropriate and effective budget setting and monitoring arrangements in place. Council members worked collaboratively to set the Council budget for 2024/25.

The level of General Fund reserves has decreased with the majority of these earmarked for specific Council priorities

52. One of the key measures of the financial health of a body is the level of reserves held. The General Fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure.

53. The level of usable reserves decreased from £176.941 million in 2022/23 to £133.689 million in 2023/24 [exhibit 4](#). The General Fund balance is £109.773 million, however £96.730 million has been earmarked for a specific priority which leaves a residual £13.043 million of uncommitted general reserves. Against an expenditure budget of £895.702 million for 2023/2024, this unearmarked element represents a 1.45 per cent reserve. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures.

Exhibit 4

South Lanarkshire Council usable reserves

Reserve	31 March 2020 £'million	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million
General fund	75.579	116.980	122.424	150.283	109.773
Housing revenue account	9.713	12.784	16.241	12.861	13.221
Repair and renewal fund	5.918	7.484	6.496	7.610	5.346
Capital fund	10.327	6.268	5.730	4.776	3.975

Insurance fund	2.053	2.304	1.295	1.411	0.195
Total usable reserves	103.590	145.820	£152.186	176.941	133.689

Source: South Lanarkshire Council annual accounts 2019/20 to 2023/24

54. We are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level. However, there are ongoing sustainability challenges of using reserves to fund recurring expenditure. Difficult decisions will need to be taken in the future, with a clear plan and effective management of the Council's reserves key to maintaining financial sustainability.

Capital expenditure was less than originally budgeted in 2023/24

55. The Council approved the 2023/24 capital programmes in February 2023. The general services programme for 2023/2024 originally totalled £91.061 million, with the housing capital programme amounting to £63.916 million.

56. At the Executive Committee meeting in June 2023, revisions were made to the general services programme including, slippage of £12.660 million from 2022/23 projects added to the programme budget and £26.775 million of 2023/24 projects removed to give an updated budget of £77.849 million for 2023/24.

57. At each meeting of the Executive Committee, capital programme monitoring reports are presented to members. Throughout the year these reports detailed the various movements in the general services programme budget.

58. At the June 2024 Executive Committee, the general services outturn capital programme spend was reported as £64.244 million for 2023/24, against original budget representing a slippage of 29.5 per cent.

59. The underspend reflects a variation from the expected timing of spend across a number of projects within multi-year programmes. The main projects contributing to the underspend include the Place Based Investment Programme, Rural Development Centre, IT infrastructure Refresh and a number of Glasgow City Region City Deal projects.

60. The housing capital programme outturn was reported as £62.240 million for 2023/24, against the revised budget of £63.916 million. This represents slippage of 2.5 per cent against the revised budget (slippage of nine per cent against 2022/23).

61. This underspend is due to a number of factors, mainly, the timing of the purchase of land at sites within the East Kilbride Community Growth Area and Brackenhill Farm, Hamilton, with these concluding early in the new financial year. In addition, there were access issues with a significant number of central heating systems upgrades and windows and doors projects.

62. The Council has reviewed the reasons for slippage and reported that there is no one reason for projects slipping in terms of spend achieved in year. Each project is different and slippage can be as a result of contractor default, delays in the supply chain or the impact of weather conditions. The Council has confirmed that there continues to be no significant risk associated with project slippage, and tends to be a timing issue only.

63. Officer meetings take place every four weeks to consider each project on its own merit. Any variations in spend anticipated are reported to members through an adjustment to the programme to reflect the revised spend for the year and achievability in terms of the project deliverables if applicable. These adjustments are reported on a four-weekly basis to the Executive Committee and then on an eight weekly basis to the relevant Resources (service) Committee.

The Council does not undertake valuations as at the year end, but has provided satisfactory evidence to support its approach

64. The Council's valuation team (qualified RICs valuers) have confirmed that they carried out their valuation duties in line with the RICs professional standards, and they have provided a formal year-end report to management. This included a covering report, a Service Level Agreement (SLA) outlining their conditions of engagement, and an asset review paper (impairment review) which focussed on identifying any unusual circumstances which would affect the value of whole categories of assets. They reviewed the NCA that were most subject to risk in terms of economic influence.

65. Bodies should carry out valuations as at the year end, i.e. as at 31 March. However, there is no requirement for this, and bodies may use 1 April (or other date) subject to the standard condition that the carrying amount at the end of the year does not differ materially from the current value at that date.

66. Where a valuation has been carried out at 1 April 2023, a body should evaluate whether:

- there have been any movements in value during 2023/24 that should be reflected in the 31 March 2024 carrying amount
- there is sufficient evidence that supports the body's consideration of the above is adequate
- it has made necessary adjustments to the 31 March 2024 carrying amount to reflect any movements that require to be reflected.

67. The Council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2023/24 has taken place as at 1 April 2023. There was a 3.5 per cent increase in the BCIS index year on year to quarter four, that is, 1 March 2023 to 31 March 2024. The valuer did not consider this an unusual variance and therefore considered that a reassessment of the DRC figures was not required out with the 5 year rolling programme.

68. Whilst the Council has demonstrated that the current approach of undertaking valuations as at 1 April has resulted in appropriate valuations in accordance with the Code, management should consider valuing at 31 March to reduce the risk of adjustments being required as a result of material movements in year.

The Council completed the review to identify any buildings containing Reinforced Autoclaved Aerated Concrete and taken remedial action as required

69. Reinforced Autoclaved Aerated Concrete (RAAC) was widely used in the construction of floors and roofs from the 1950s to early 1990s. Recent investigations have identified that leaks or water exposure could lead to the deterioration of RAAC planks.

70. The Scottish Government are working in partnership with the UK Government on research into the extent of the use of RAAC in public buildings and public bodies, including the Council, have been advised to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls made of RAAC.

71. The Council has confirmed that the desktop exercise with focused survey activity has now been completed on all Non-housing and Housing properties and remedial action has been taken where required.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

72. The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

73. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

74. We have concluded that the Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

National Fraud Initiative

75. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Council participates in this biennial exercise. The 2022/23 exercise concluded during the 2023/24 financial year and the final report was published in August 2024 [The National Fraud Initiative in Scotland 2024 \(audit.scot\)](#).

76. The value of outcomes from the NFI, recorded since the last report, total £21.5 million (up from the £14.9 million in 2022). The cumulative value of outcomes from the NFI in Scotland since participation started in 2006/07 now stands at around £180 million.

77. 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. Internal Audit presented a paper to the RASC in September 2024 which confirmed that overall outcomes remain relatively.

78. The Council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

3. 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.

Conclusion

The Council transformational change programme is underway to help the Council achieve a balanced budget, and support medium and long term financial plans.

The Council has effective budget monitoring arrangements. Given the financial pressures, the Council is continuing to assess its reserves strategy and review how it assesses, monitors and reports on its financial resilience.

79. [Exhibit 5](#) sets out the wider scope risks relating to Financial Sustainability identified in the 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Audit work has addressed the wider scope risks identified in the Annual Audit Plan

Exhibit 5

Risks identified from my wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>South Lanarkshire Council continues to operate in an increasingly complex and challenging environment, aiming to provide the best possible service within the resources available.</p> <p>Although a surplus position of £9.0 million is projected for 2023/24, the Council has identified a savings requirement of £95.8 million for the next four years to 2027/28.</p>	<p>Reviewed the Council's annual budget setting arrangements.</p> <p>Reviewed and assessed budget monitoring arrangements</p> <p>Reviewed the Council's medium to longer term financial planning including how the Council aligns savings plans and transformation activity with strategic priorities.</p> <p>Reviewed the Council's financial position and delivery of planned savings.</p>	<p>Results and conclusion:</p> <p>The Council recognise the financial challenges facing the organisation. A Transformational Change programme is underway to achieve financial sustainability over the medium to longer term.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Management have implemented a programme of reviews to contribute towards addressing the financial pressures. However, there is a risk that the Council plans do not deliver the required savings to address the projected shortfall.</p>		

The Council transformational change programme is underway to help the Council achieve a balanced budget, and support medium and long term financial plans

80. At the Executive Committee meeting in June 2024 management advised that the budget gap, before any corporate solutions, for 2025/26 was estimated at £22.355 million. Key elements making up the budget gap are:

- pay and pension items which includes assumed pay award for teachers and non-teachers: £8.820 million
- Reinstatement / Impact of Prior Year Budget Decisions and includes the need to reinstate budget to cover one-off savings from previous years and also to take the benefit of residual impact of previous year decisions: £11.515 million.

81. In addition the report explained that given the financial horizon, there was a need to look at the picture not just for the year ahead but for the medium-term and the report outlined the starting point for the Medium-Term Strategy from 2025/2026 to 2027/2028. As detailed in [exhibit 6](#) the overall budget gap for the period 2025/2026 to 2027/2028 is £77.275 million.

Exhibit 6

Identified savings requirement 2025/26 to 2027/28

	2025/26	2026/27	2027/28	Total
<p>Savings required £'million</p>	£22.355	£24.515	£30.405	£77.275

Source: 2025/2026 to 2027/2028 Revenue Budget Strategy

82. To address the budget gap, the Council will need to review what services it can afford to continue to deliver and how these services will be provided. The Council will need to significantly change what they deliver over the next 3 years with the focus being on statutory services. There will be difficult decisions to take on whether the Council can continue to deliver services and if so, what those services will actually look like.

83. To achieve a balanced budget, the Council need to have clear medium and long term financial plans to support transformational change.

84. The report to the Executive Committee outlined the Transformational Change Programme that is underway. This will be a series of cross cutting reviews, not focussed on one Resource, but on Council-wide activities. The reviews will start in 2024/2025, and the Council anticipates they will deliver savings across the term of the three year Budget Strategy. The reviews include:

- **Charging:** options for full cost recovery where possible
- **Procurement:** further consideration of procurement practices/options
- **Overtime:** review of overtime practices and spend
- **Management Structure:** review to ensure correct balance between management and the staff they oversee
- **Digital Transformation / Customer Contact:** review of the use of technology and how the Council and its customers interact
- **Property:** right size use of property and look to meet Net Zero targets
- Consideration of **in-house and procured services**
- **Loans Fund:** consider any further benefits through Loans Fund accounting
- **Depot Rationalisation:** rationalising the number across Resources
- **Fleet Reduction:** reducing this where efficiencies can be identified.

85. Progress on each cross-cutting review will be presented to the Performance and Review Scrutiny Forum (PRSF). In addition, service departments are considering their own service areas, and a programme of reviews will also take place to inform savings for the coming year. As these service reviews progress, proposals will be presented to Members for approval as part of the Budget setting process.

The Council has effective budget monitoring arrangements. Given the financial pressures, the Council is continuing to assess its reserves strategy and review how it assesses, monitors and reports on its financial resilience

86. The Council recognises the financial challenges it faces in the coming years. As detailed in [exhibit 5](#), as at 31 March 2024, the Council had a total General Fund balance of £109.773 million. Of this £96.730 million has been earmarked for a specific priority with a residual balance of £13.043 million of uncommitted general reserves.

87. Councils can hold reserves for a number of reasons. Some reserves are earmarked for identified expenditure which will, or may occur over the short,

medium or longer term. In addition to these reserves, there are uncommitted reserves which help manage unforeseen circumstances.

88. The Local Authority Accounting Panel (LAAP) provides guidance on the establishment and maintenance of local authority reserves and balances. The LAAP Bulletin does not prescribe a minimum level of reserves which should be held by a council. It is for the Council to consider an appropriate level of reserves taking account of their strategic, operational and financial risks. However, it does state that reserves should not be held without a clear purpose.

89. The Council intends to review and present an updated Reserves Strategy to the Finance and Corporate Resources Committee in Autumn 2024, following the conclusion of the 2023/24 Annual Accounts.

90. The Chartered Institute of Finance and Public Accountancy (CIPFA) introduced a Financial Management Code for implementation by 31 March 2021. This provides “guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities will be able to demonstrate their financial sustainability”. A key goal of the FM Code is to improve and evidence the financial resilience of organisations by embedding enhanced standards of financial management.

91. In our 2022/23 Annual Audit Report we recommended that given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. We also recommended that the Council should also enhance the level of monitoring around financial resilience indicators and risks.

92. The Council has an effective financial planning and monitoring arrangements in place, with regular reporting throughout the year. Through the 2025/2026 to 2027/2028 Revenue Budget Strategy the Council demonstrates a clear understanding of the budget pressures it faces.

93. The Council intends to present a more detailed report on resilience to the Risk and Audit Scrutiny Committee in September 2024.

Recommendation 4

The Council should ensure that there is a clear risk assessment and scrutiny of the level of reserves held and how this supports financial resilience and sustainability over the medium term.

4. Best Value

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

Conclusions

The Council's Workforce Plan 2022-25 is supported by detailed service level plans, however there is an opportunity for this to have a more strategic focus.

The Council is using digital technology to support new ways of working but has not yet set out how it plans to use digital technology to shape its future workforce.

Our follow up work of Best Value improvement recommendations from 2022/23 concluded that the Council has now addressed these recommendations.

Best Value work in 2023/24

94. For 2023/24, the scope of Best Value work included conclusions on:

- Workforce Innovation (2023/24 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years

95. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, 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.

Workforce Innovation priorities

96. Annual thematic Best Value work is set by the Accounts Commission. For the 2023/24 financial year, auditors were asked to focus on workforce innovation within the council. The results of this work were reported to elected members at the Risk and Audit Scrutiny committee on 25 June 2024. This report will be published on the Audit Scotland website in due course. The key findings in this report are:

- The Council's Workforce Plan 2022-25 is supported by detailed service level plans, however there is an opportunity for this to have a more

strategic focus. The Council has not had a corporate level workforce strategy since 2019.

- The Council and service-level workforce plans capture the workforce challenges however actions need to be SMART to allow progress to be monitored and reported.
- While the Council's service-level workforce plans contain workforce data, there is no workforce data included in the Council-level Workforce Plan.
- The Council has developed a comprehensive toolkit to help services with workforce planning.
- The Council is using digital technology to support new ways of working but has not yet set out how it plans to use digital technology to shape its future workforce. The introduction of Oracle Fusion provides the Council with opportunities to create efficiencies and the increased use of digital technology in education is providing more choice for pupils.
- The Digital Strategy 2022-27 sets out an intention to address digital exclusion. Around ten per cent of employees who responded to a digital skills survey identified that they do not have basic digital literacy.
- The Council recognises the need for innovative skills and capacity measures in light of the workforce recruitment and retention challenges it faces. The Council uses a number of approaches to improve the skills and capacity of its future and existing workforce.
- The Council reports detailed council-wide and resource-level workforce monitoring information to Committee quarterly although there is scope for the content to be further developed.

97. The audit recommendations from the thematic report, together with the management responses, are included in [Appendix 1](#) of this report.

Follow up of Best Value improvement recommendations from 2022/23

98. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The 2022/23 Best Value Thematic report contained two improvement recommendations in respect of the Council's compliance with the Fairer Scotland Duty and ongoing support for Elected Members.

99. Our follow up work has concluded that the Council has now addressed these recommendations.

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.

Conclusions

The Council has a clear vision, strategy, and priorities.

The Council has effective and appropriate governance arrangements for delivery of its plans.

A new Chief Executive and Executive Director of Finance and Corporate Resources were appointed during 2023/24.

The Council has a Management Development programme in place to support succession planning.

The Council has clearly articulated its vision and priorities

100. The Council's Connect Plan 2022-27 is the strategic document that sets out the Council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire.

101. The Council's vision is '**to improve the lives and prospects of everyone in South Lanarkshire**'. It sets out the key actions to be delivered over five years, around a long-term vision with three key priorities and supported by six detailed outcomes.

Governance arrangements are effective and appropriate

102. 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. This is informed by our regular attendance at the Risk and Audit Scrutiny Committee and review of Council, Executive Committee and other committee papers as appropriate.

103. We have concluded that overall, the Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

A new Chief Executive and Director of Finance and Corporate Resources were appointed during 2023/24

104. The Council has an experienced management team in place that has been relatively stable in recent years. During August 2023 the then Chief Executive, announced his intention to retire. The previous Executive Director of Finance and Corporate Resources and Deputy Chief Executive was appointed as the new Chief Executive and started in his new role in January 2024.

105. In March 2024, the previous Head of Finance (Strategy) was appointed as the Executive Director of Finance and Corporate Resources. In turn, the Head of Finance (Strategy) was backfilled through an internal appointment. Finance are continuing to review staffing and backfill arrangements are being progressed to ensure capacity within the department.

The Council has a Management Development programme in place to support succession planning

106. The Council offers three levels of management development training in conjunction with the Chartered Management Institute to support succession planning:

- Ambition (entry) level for employees managing small teams
- Consolidation level for employees who are practising managers or team leaders
- Development level for senior managers. This includes training on project management, coaching, collaborative working and managing change.

107. In addition to the Management Development programme for all managers, the Council operates a leadership challenge programme to develop 'rising stars' and assist with succession planning. Executive Directors select employees to take part in this. It includes skills and attitudes tests, access to speakers to help participants think beyond their current role, participation in service reviews in a different part of the Council and mentoring and coaching. The purpose of the Leadership Challenge is for the Council to ensure its leaders and managers can adapt to different situations and changing circumstances, and can inspire, challenge and encourage.

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.

Conclusions

The Council has an effective performance management framework in place.

The Council's overall performance has improved compared to its prior year results but has declined compared with the Scottish average.

The Council has effective and appropriate arrangements in place to ensure that resources are deployed to improve strategic outcomes, that meet the needs of service users.

The Council has an effective performance management framework in place

108. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities.

109. The Best Value: Revised Statutory Guidance 2020 also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting.

110. In addition to the annual reporting on LGBF performance, the Council engaged with the Improvement Service in 2021/22 to look at how it uses and reports on the Local Government Benchmarking Framework (LGBF). This aimed to produce a suite of refined indicators that the Council could use to better reflect its priorities and allow for scrutiny on its identified improvement areas.

111. In 2024, the Improvement Service (IS) launched an online dashboard as the main portal to access LGBF data and analysis. The dashboard is part of the commitment by SOLACE and COSLA to develop better measurement and comparable data as a catalyst for improving services, targeting resources to areas of greatest impact, and enhancing public accountability.

112. As part of this, the IS offered to work with interested councils to explore how dashboard technology could be used at a local level to improve engagement with and use of the LGBF.

113. Building on the review of LGBF reporting undertaken in 2021-22, South Lanarkshire took the opportunity to work with the IS to develop a South Lanarkshire version of the LGBF dashboard. Key features of the South Lanarkshire Council dashboard:

- based on the 36 “priority indicators” aligned to the council plan outcomes
- focuses on SLC vs Scotland vs family group average performance
- allows drill-down to examine family group members and their performance
- provides at-a-glance time-trend information for each indicator
- presents the LGBF data for SLC along with local.

114. Of the 102 LGBF indicators, 36 have been identified as aligning with the outcomes of the Council’s Connect Plan. These are now embedded within the Connect Plan’s reporting to focus attention on how well the Council is performing in achieving its strategic outcomes.

The Council’s overall performance has improved compared to its prior year results but has declined compared with the Scottish average

115. 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. The Council notes that the use of the LGBF allows it to self-assess its performance across years, and to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

116. The most recent [National Benchmarking Overview Report 2022-23](#) (improvementservice.org.uk) by the Improvement Service was submitted to the Council’s Performance and Review Scrutiny Forum in March 2024 along with a Council specific action plan. When comparing the indicator’s reported, the Council’s overall performance has improved against its own prior year performance. Details of the Council’s trend over the past four years against these performance indicators can be seen at [exhibit 7](#).

117. Across the 102 indicators in 2023/24, the Council’s performance has improved against 52 (51 per cent) and declined against 31 (30 per cent). In terms of the Council’s figures relative to the Scottish average, performance was better than Scottish average for 47 (46 per cent) indicators. This is a decrease on the prior year results of 51 per cent.

Exhibit 7

South Lanarkshire Council analysis of LGBF results

	Number of indicators (%) 2019/20	Number of indicators (%) 2020/21	Number of indicators (%) 2021/22	Number of indicators (%) 2022/23
Performance				
Improving performance	35 (39%)	36 (38%)	39 (39%)	52 (51%)
Declining performance	45 (49%)	36 (38%)	53 (54%)	31 (30%)
No change in performance	1 (1%)	2 (2%)	3 (3%)	4 (4%)
Information not available	10 (11%)	21 (22%)	4 (4%)	15 (15%)
Comparison with Scottish Average				
Better than Scottish average	42 (46%)	37 (39%)	50 (51%)	47 (46%)
Worse than Scottish average	39 (43%)	37 (39%)	43 (43%)	38 (37%)
Same as Scottish average	0 (0%)	0 (0%)	2 (2%)	2 (2%)
Information not available	10 (11%)	21 (22%)	4 (4%)	15 (15%)

Source: LGBF 2022/23 (2022/23 Results at 30 April 2024)

118. The Council has an improvement action plan for all the indicators, including those reported as being below the Scottish average. The Council also undertakes family group analysis, which focuses on those indicators performing worse than the Scottish average. This aims to group councils into a “family group” of councils with similar levels of deprivation and urban profiles, providing better context to the results.

119. At a service level, under-performing LGBF measures are included in the horizon-scanning and self-assessment exercise undertaken each year. This draws attention to poor performance in the LGBF and services are asked to review the figures and provide narrative about reasons why and any actions necessary which would feed into Resource Plans and improvement actions throughout the year.

The Council is on track to achieve most performance measures however the percentage of reports submitted to the Children's Reporter within agreed timescales did not meet the target

120. The Council reviews its performance using a number of measures that are aligned to the priorities and outcomes set out in the Council Plan. A total of 272 measures were identified within Resource Plans for 2023/2024. Of those 68 (25 per cent) are linked to the achievement of the Connect Outcomes detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports are publicly reported on the performance pages of the Council's website.

121. In addition, the Connect 2022-27 Quarter 2 Progress Report 2023/2024 was reported to the Performance and Review Scrutiny Forum in December 2023. The progress reports include a summary of performance against measures for each of the Council's Connect Plan objectives, along with details of the main achievements for that objective.

122. The Connect quarter two progress report for 2023/24 reports that of the Council's 68 strategic performance measures, three projects had been completed (four per cent); 44 projects, the timescale or target had been met (65 per cent); eight projects where there was minor slippage in timescale or target (12 per cent) and 12 where the information was not yet available and would be reported at a later date (18 per cent). Of the remaining measures, one experienced significant issues (one per cent). This was:

- **The percentage of reports submitted to the Children's Reporter within agreed timescales:** In quarter two, 37 out of 53 (70 per cent) of reports were submitted within timescales, 88 out of 139 (63 per cent) for the year to date. Due to staff vacancies of just over 30 per cent within local teams, some reports have been submitted beyond the deadline. Service managers are working closely with operational teams to prioritise workloads and ensure that children and their families are not adversely affected by any delays. A more flexible approach to recruitment is being taken with social worker students on placement with South Lanarkshire guaranteed a job interview and practice educator support with the interview process. This has resulted in an increase in the recruitment of newly qualified workers in the first year

123. Performance management and reporting is well established within the Council. This provides members the opportunity to scrutinise the Council's performance against its strategic objectives. Despite the ongoing service pressures the Council has achieved or is on track to achieve most of its performance measures as set out in its Connect Plan.

The Council is working effectively with partners to meet stated outcomes and improvement objectives

124. The Council is part of the South Lanarkshire Community Planning Partnership (CPP) and the Community Planning Partnership Board (CPPB) which has a key role in progressing Community Planning.

125. The CPPB's remit is to provide collective strategic leadership, direction, governance and oversight of partnership activity with local communities to support the delivery of its agreed vision and outcomes.

126. Following a full review of Community Planning structures and plans, the Community Planning Partnership Board approved a new Thematic Board structure in March 2023. In September 2023, the Board approved its revised Governance Framework. The final part of the review is to develop a proposal for partnership working at a locality level. Work continues with the Outcomes Leads Group to deliver on this.

127. The Council approved the Community Wealth Building (CWB) Strategy in March 2021 and subsequently the CWB Commission was set up to engage a wide range of partners and stakeholders in the CWB agenda. A community wealth building action plan for the delivery of the CWB strategy was first approved by the Community wealth building Commission in August 2021 with annual reports providing progress updates.

128. The Commission for South Lanarkshire includes the Council, NHS Lanarkshire, third sector representatives VASLan, the University of the West of Scotland and the Federation of Small Businesses. The Commission also includes representation from senior elected members, and community representation through the involvement of the CPP locality groups.

129. The draft 2022/23 annual report was presented to the CWB commission in September 2023 for approval. A review of the Community Wealth Building Risk Register is underway. The outcome of the review will be reported to the CWB Commission later this year.

South Lanarkshire Council has satisfactory arrangements for the preparation and publication of Statutory performance information (SPIs)

130. The [Accounts Commission's 2021 Statutory Performance Direction](#) defines the performance information that councils must publish. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

131. Our work in 2023/24 has confirmed that the Council's performance reporting arrangements were satisfactory. The Council's website covers all the requirements set out in the SPI direction issued by the Accounts Commission. The Council continues to improve its public reporting of performance information through clear alignment of performance information with its key strategic outcomes.

132. Alongside overarching and service level performance reporting the Council publishes Annual Performance Spotlights, 'bite-sized' performance information, per Connect Outcome which includes:

- a case study to illustrate how the Council is working towards achieving outcomes

- infographics giving a visual presentation of performance; identifying whether or not performance is improving
- links to additional more detailed information.

133. To continue to enhance the performance reporting on the website the Council could include information on the reasons for year on year changes in performance and where performance is below target, details of measures to address this.

134. The performance information included within the Annual Performance Spotlights shows that for a number of indicators, year on year, the Council is performing above the targets set. Whilst this is a positive result; there is an opportunity for the Council to review the target benchmarks to ensure that they remain challenging and support continuous improvement.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Council house valuations</p> <p>The approach taken by the Council draws on elements of Guidance for Valuers issued in 2016, however only one beacon property is used as a basis for the full council house stock held by the Council.</p> <p>Risk: There is a risk that the council house stock is not valued in line with applicable guidance.</p>	<p>The valuer should detail the valuation process followed, assumptions that have been made and supporting information so that the entire process, sources of information and assumptions provide suitable assurances to management.</p> <p>In addition the valuer should review the current valuation process against applicable guidance to assure themselves that the valuation process remains fit for purpose.</p> <p>Paragraph 19</p>	<p>Accepted</p> <p>The Head of Property has detailed the process followed and has confirmed that the valuation method used for council house valuations follows the Beacon method. This valuation process matches the applicable guidance and therefore the valuation process is fit for purpose.</p> <p>Responsible officer: Head of Property</p>
<p>2. IFRS 16 Implementation</p> <p>From 1 April 2024, a new International Financial Reporting Standard, IFRS 16, will come into effect for Local Authorities. The Council is not yet in a position to quantify the likely impact of IFRS 16.</p> <p>Risk: there is a risk that the Council do not progress the implementation of IFRS 16 in line with the project plan.</p>	<p>The Council should review the current timetable to ensure that key dates are being achieved to allow implementation in line with the project plan.</p> <p>Paragraph 32</p>	<p>Accepted</p> <p>The Council is aware of the requirements of IFRS 16 and is working towards the implementation date of end March 2025.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: End March 2025</p>
<p>3. Statutory override</p> <p>The statutory override relating to valuation of</p>	<p>The Council should proactively work with CIPFA and the wider local government sector to arrive</p>	<p>Accepted</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>infrastructure assets is due to end for the 2024/25 financial statements.</p> <p>Risk: A permanent solution has not yet been agreed and CIPFA believe that this will continue be an area of enhanced scrutiny for local government auditors.</p>	<p>at appropriate solution for the implementation of accounting for infrastructure assets.</p> <p>Paragraph 36</p>	<p>The Council is keeping a watching brief on national discussion on this topic and will continue to engage with CIPFA and other bodies where possible, to arrive at a suitable solution.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: End March 2025</p>
<p>4. Reserves strategy and financial resilience</p> <p>In our 2022/23 Annual Audit Report we recommended that the Council should enhance the level of monitoring around financial resilience indicators and risks.</p> <p>Risk – This Council is preparing a detailed report on resilience to the Risk and Audit Scrutiny Committee in September 2024.</p>	<p>The Council should ensure that there is a clear risk assessment and scrutiny of the level of reserves held and how this supports financial resilience and sustainability over the medium term.</p> <p>Paragraph 93</p>	<p>Accepted</p> <p>The Council has presented a report to the Risk and Audit Scrutiny Forum detailing the Council’s Resilience Framework.</p> <p>A further report on the Council’s Reserves position will be presented to the Finance and Corporate Resources Committee in the Autumn. This will detail the level of reserves held by the council, their purpose, and will note their role in financial resilience.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: End November 2024</p>

2023/24 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Corporate level workforce strategy supported by clear reporting on actions</p> <p>The Council does not have a corporate level workforce</p>	<p>The Council should develop a corporate level workforce strategy to demonstrate a clear link to the Connect Council Plan 2022-27. The Council should build on the</p>	<p>Management response</p> <p>The Council will complete an updated Workforce Strategy for 2025-2027 with accompanying workforce plans to align to the Council</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>strategy. The Council level workforce plan does not include or refer to workforce data, such as the age profile of its workforce, the number of casual staff used or indicators of staff wellbeing. Nor does it include any information on what it is currently doing to address any workforce capacity issues or how it plans to develop its future workforce.</p> <p>Risk – There is a risk that the Council is not using workforce data to inform workforce planning that links to its strategic priorities.</p>	<p>workforce planning to date and implement a more strategic, data-driven approach to workforce planning, with SMART action plans, setting out how Council level and service level actions are being progressed.</p>	<p>Plan Connect Business Planning Cycle.</p> <p>The Council will create a strategic workforce plan for 2025– 2027 to align with the Council plan and will also create workforce plans for this period and reference the data analysis and findings more clearly to show both the high-level actions and specific resource actions.</p> <p>Responsible officer Head of Personnel Services</p> <p>Actioned by 31 March 2025</p>
<p>6. Digital technology</p> <p>The Council is at an early stage in establishing links between workforce planning and digital technology</p> <p>Risk – There is a risk that the workforce planning is not fully utilising the benefits of digital technology.</p>	<p>The Council should develop measures to capture and monitor the impact of digital technology on workforce productivity and service outcomes. It should also set out how it expects digital technology to shape its future workforce.</p>	<p>Management response</p> <p>The Council will include links in the 2025-2027 workforce strategy and plans to digital technology. The Council will include measures to capture and monitor the impact of digital technology.</p> <p>Responsible officer Head of Personnel Services Head of IT Services</p> <p>Actioned by 31 March 2025</p>
<p>7. Digital Exclusion</p> <p>Digital inclusion is one of 21 principles set out in the Digital Strategy 2022-27 and is also one of eight themes. The Council is progressing a number of initiatives to support digital inclusion.</p> <p>Risk – There is a risk that without a SMART action plan to monitor progress the Council cannot demonstrate it</p>	<p>The Council should develop an action plan to allow it to monitor progress in addressing digital exclusion in its workforce and for its citizens.</p>	<p>Management response</p> <p>The Council will develop an action plan within its workforce plans that will detail the next steps in progressing digital inclusion in its workforce. For its citizens, this will be captured within the digital strategy action plans.</p> <p>Responsible officer</p>

Issue/risk	Recommendation	Agreed management action/timing
is achieving the principles set out in the Digital Strategy.		Head of Personnel Services Head of IT Services Actioned by 31 March 2025

Follow-up of prior year recommendations

Issue/risk	Recommendation and Agreed Action	Progress
<p>1. Capital programme</p> <p>At the June 2023 Executive Committee, the general services outturn capital programme spend was reported as £65.736 million for 2022/23, against original budget representing a slippage of 20 per cent.</p> <p>The housing capital programme outturn was reported as £60.695 million for 2022/23, against the revised budget of £66.361 million. This represents slippage of nine per cent against the revised budget</p> <p>Risk – Delayed investment can lead to inefficiencies in the existing estate with adverse impact on service delivery.</p>	<p>The Council should review the underlying reasons for recurring slippage within the capital programmes to identify opportunities to review project management and budget setting procedures in place.</p> <p>Management Response:</p> <p>The Council has reviewed the reasons for slippage in year and we report movements to members on a monthly basis. We are satisfied that there has been no significant risk realised from this slippage, however, we will work with the officers delivering projects to set realistic budgets for capital expenditure.</p> <p>Responsible officer:</p> <p>Head of Finance</p> <p>Agreed date:</p> <p>31 March 2024</p>	<p>Implemented</p> <p>In February 2024, the Council approved the 2024/2025 capital programme based on achievable spend levels.</p> <p>Any slippage experienced and the reasons for it, will continue to be subject to review with any financial and operational impact advised to members as appropriate.</p>
<p>2. Asset valuation</p> <p>The Council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2022/23 has taken place as at 1 April 2022.</p>	<p>The Council should consider their approach to the valuation of land and buildings to ensure this is appropriate to assess whether asset values have moved materially in year and as at 31 March.</p> <p>The valuer should also issue a formal year end valuation report to provide the required</p>	<p>Implemented</p> <p>The Council's valuation team produced a formal year end valuation report detailing the valuation duties in line with RICs professional standards.</p> <p>The Council assessed current conditions and has</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>Although the Council were able to provide the required information and supporting documentation to support the valuations undertaken during the year, the valuer does not produce a formal year end valuation report.</p>	<p>management assurances enabling greater oversight and scrutiny by management of the suitability of the key assumptions and approach adopted by the valuer.</p> <p>Management Response: The Council's valuation team will produce a formal year end valuation report.</p> <p>The council has assessed in 2022/23 that the asset values have not materially moved in year and will continue to consider valuation dates.</p> <p>Responsible officer: Head of Property / Head of Finance</p> <p>Agreed date: 31 March 2024</p>	<p>ascertained that the asset values in the balance sheet are not materially misstated.</p>
<p>3. Payroll reconciliations</p> <p>The Council's internal guidance requires that all payroll must be reconciled at least once a month. Payroll reconciliations were not carried out on a regular basis during 2022/23.</p>	<p>The Council should ensure payroll reconciliations are undertaken in line with internal guidance.</p> <p>Management Response: The payroll reconciliations are up to date for 2023/24</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: October 2023</p>	<p>Implemented</p> <p>All payroll reconciliations for 2023/2024 are complete.</p>
<p>4. Transformational change</p> <p>The Council should continue to identify where it can progress transformational change in how its services are delivered. This should identify where recurring savings, rather than temporary solutions, can be</p>	<p>The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.</p> <p>Management Response: The Council has a programme of reviews that have and will</p>	<p>Ongoing</p> <p>The Council has a programme of cross-cutting reviews as well as individual Resource Reviews which will assist in bridging the budget gap moving forward.</p>

Issue/risk	Recommendation and Agreed Action	Progress
made together with proposals to reduce costs.	<p>continue to contribute towards, addressing financial pressures.</p> <p>Responsible officer: Executive Director, Finance and Corporate Resources</p> <p>Agreed date: Ongoing</p>	
<p>5. Financial resilience</p> <p>Given the scale of the challenges there is an opportunity to enhance its focus on financial resilience, including greater emphasis on its reserves position; clear financial resilience indicators and measures; and alignment to risks ensuring there is a clear financial strategy to support a resilient council.</p>	<p>Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. The Council should also enhance the level of monitoring around financial resilience indicators and risks.</p> <p>Management Response:</p> <p>Through consideration of level of reserves, specific resilience indicators, and financial planning and management, we already understand and mitigate as much as we can against unforeseen costs and pressures.</p> <p>We will look to further develop the Council's approach to monitoring and reporting on resilience.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 31 March 2024</p>	<p>Ongoing</p> <p>A paper detailing the Council's consideration of its financial resilience is to be presented to the September 2024 meeting of the Risk and Audit Scrutiny Committee.</p>
<p>6. Fairer Scotland Assessment</p> <p>The Fairer Scotland Duty came into force from 1 April</p>	<p>The Council should continue its work to embed its Fairer Scotland duties by completing and referencing Fairer</p>	<p>Implemented</p> <p>The Council's monitoring officer issued guidance to all Resources and Admin staff</p>

Issue/risk	Recommendation and Agreed Action	Progress
<p>2018. It places a legal responsibility on local authorities to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.</p> <p>Risk – There is a risk that the Council is not fully complying with the Fairer Scotland Duty.</p>	<p>Scotland assessments in council papers, strategies and plans. It should also check all assessments are listed online.</p> <p>Management Response:</p> <p>We will continue to embed Fairer Scotland duties, and remind all officers on the Council's Fairer Scotland Duties and the use of Fairer Scotland Assessments by reissuing the guidance and arranging further training as appropriate. We will ensure that reference to Fairer Scotland assessments are made in committee reports (where carried out). All Fairer Scotland Assessments will be posted online.</p> <p>Responsible Officer:</p> <p>Head of Administration and Legal Services</p> <p>Date:</p> <p>31 December 2023</p>	<p>to publicise the duty and to make sure that it is followed.</p> <p>Fairer Scotland Assessments are published on the Council's website.</p>
<p>7. Ongoing support for Elected Members</p> <p>In May 2022, the Council put in place a comprehensive induction programme. Committee members feel overwhelmed by the volume, complexity and technical nature of some committee papers.</p> <p>Risk – There is a risk that the current suite of training is not tailored to the individual needs of Elected members.</p>	<p>Officers should continue to engage with elected members to support their training and development requirements, including specific training to build confidence and allow scrutiny.</p> <p>Management Response:</p> <p>The programme of engagement with members on training requirements will continue. The annual needs assessments will be carried out to inform ongoing training plans.</p> <p>Responsible Officer:</p> <p>Head of Personnel</p> <p>Date:</p>	<p>Implemented</p> <p>An annual needs assessment was carried out in March 2024 with a catalogue of training sessions being compiled for members to choose from.</p>

Issue/risk	Recommendation and Agreed Action	Progress
31 March 2024		

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements.

Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Accounting Misstatements		£0	£0	£0	£0
Narrative Disclosure Misstatements					

South Lanarkshire Council

2023/24 Annual Audit Report

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