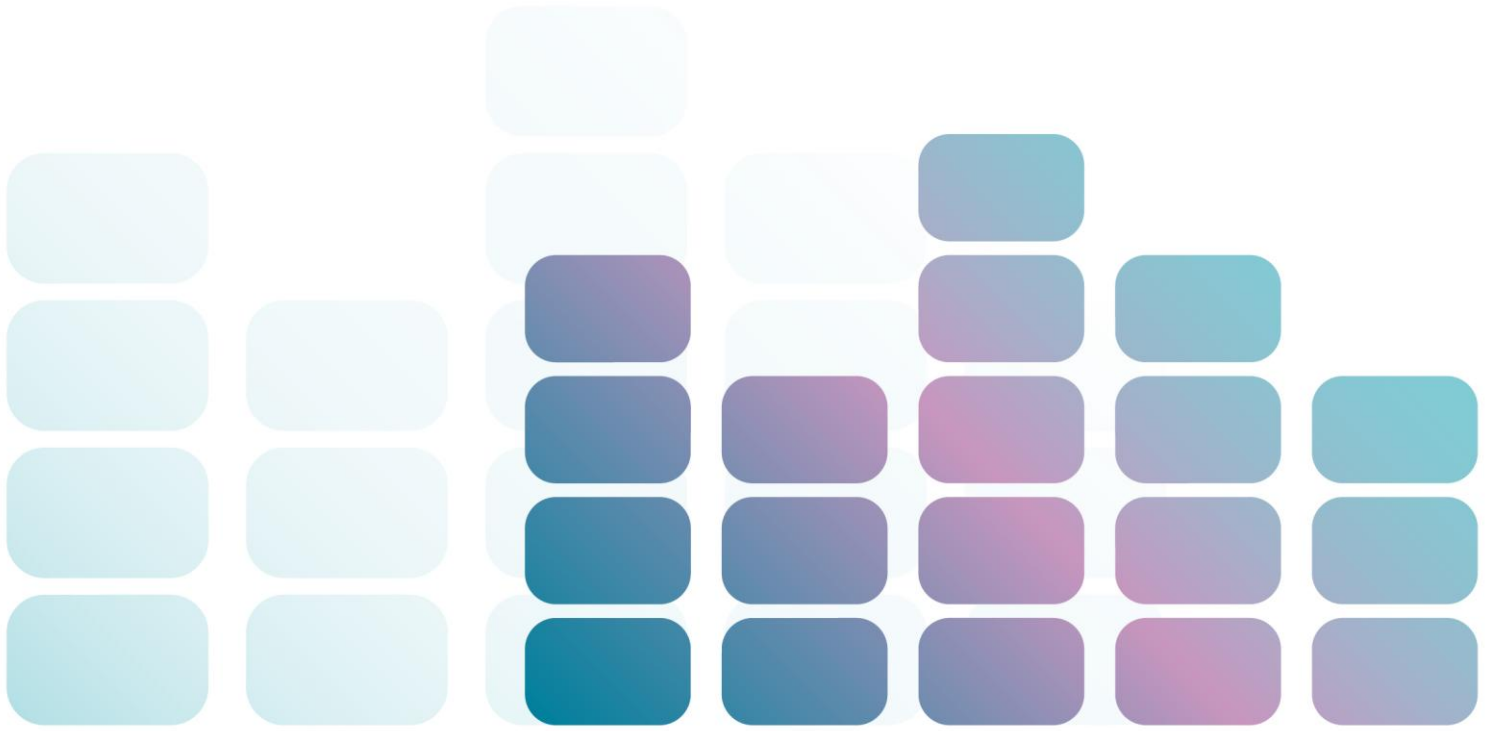


Midlothian Council

2024/25 Annual Audit Report



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Accessibility

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Key messages

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 All audit adjustments required to correct the financial statements were processed by Midlothian Council.

Wider scope audit

- 3 Midlothian Council's budget setting and financial management arrangements operated effectively during 2024/25.
- 4 In recent years the council has been able to use reserves and other one-off measures such as service concession flexibilities to address budget pressures. The general fund balance decreased in 2024/25 to £32 million and the latest council forecast is predicting this balance will reduce further to £13 million at 31 March 2026 with £10 million earmarked for specific purposes.
- 5 Continuing to use general fund reserves to bridge identified funding gaps is not sustainable and it is therefore crucial that the council identifies and approves measures to balance the 2026/27 and 2027/28 budgets in the short term and subsequently over the medium to longer term.
- 6 Midlothian Council continues to have appropriate and effective arrangements to support its Vision, Leadership and Governance.
- 7 The council has appropriate arrangements in place for its use of resources to improve outcomes, and these arrangements were found to be appropriate. There is scope to improve reporting to clearly show how the achievements translate to improvement in outcomes.

Best Value audit

- 8 Midlothian Council has effective and appropriate arrangements in place for securing Best Value.

- 9** The Management Report on themes prescribed by the Accounts Commission reported Midlothian Council has been innovative and demonstrated its commitment to transforming services, but there is a need to accelerate progress on the remaining projects within the Transformation Blueprint within the resources available.
- 10** Midlothian Council has established effective and appropriate arrangements for preparing and publishing Statutory Performance information, with performance levels remaining relatively stable compared to previous years.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of Midlothian Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to Midlothian Council hereafter referred to as 'the council' and the Controller of Audit and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Claire Gardiner, of Audit Scotland, has been appointed as external auditor of the council for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, Claire Gardiner as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

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

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
 - An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
 - An opinion on the audited part of the Remuneration Report.
 - Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
 - Reporting on the council's arrangements for securing Best Value.
 - Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return, and Whole of Government Accounts return.
 - A review of the council's arrangements for preparing and publishing statutory performance information.
 - Provision of this Annual Audit Report.

Responsibilities and reporting

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

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information reported within the annual accounts and concluding on

the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.
9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:
 - Establishing arrangements to ensure the proper conduct of its affairs.
 - Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
 - Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
 - Implementing arrangements to ensure the council's financial position is soundly based.
 - Making arrangements to secure Best Value.
 - Establishing an internal audit function.

National performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and the audit committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

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

Adjustments totalling £3.1 million were made to the net book value of land and buildings.

Audit opinions on the annual accounts

12. The council and its group's annual accounts were approved by the Audit Committee on 30 September 2025. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.

Audit timetable

13. The unaudited annual accounts and all working papers were received on 25 June 2025 in accordance with the agreed audit timetable. The working papers provided were generally adequate, and we will continue to work with key officers during 2025/26 to support further improvements for next year.
14. Midlothian Council operates with a finance team of suitably qualified and experienced staff. Good working relations have been established between Midlothian Council finance team and the audit team which facilitated delivery of the audit by the agreed deadline.

Audit Fee

15. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £295,490. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

16. Materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the

financial statements or other information reported in the annual accounts.

17. The concept of materiality is used to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.
18. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts and can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Revised materiality levels for the council and its group

Materiality	The council and its group
Materiality: Set at 2% of gross expenditure.	£12.0 million
Performance materiality: Set at 70% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£8.5 million
Reporting threshold: All items greater than the reporting threshold will be reported.	£550,000

Source: Audit Scotland

Significant findings and key audit matters

19. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is the audit committee.
20. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

21. In determining key audit matters, auditors consider:

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

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

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1. Non-current assets council dwellings The council undertook a full valuation of its council dwellings stock in 2024/25. Council dwellings require to be valued on an Existing Use Value – Social Housing (EUV-SH) basis. The Beacon Method is the methodology which estimates this. We found that the valuation approach used for council houses in 2024/25 did not fully align with the Beacon Method. Specifically, actual physical beacon properties were not used to value each property archetype. The Beacon Method relies on the market value of a representative property assuming vacant possession, with an adjustment to reflect occupation by a secure tenant. However, the valuer identified a hypothetical beacon for each archetype and utilised sales comparables to derive the valuation, rather than basing it on actual beacon properties.	We considered the methodology adopted by the council and considered it to be reasonable and unlikely to result in a material misstatement of council house values. We are satisfied that the net book value of council dwellings in the audited accounts of £472 million is not materially misstated. However, we recommend that the council ensures its valuation methodology remains aligned with relevant guidance going forward. Recommendation 1 (refer Appendix 1)

Significant findings and key audit matters	Outcome
2.Non-current assets – classification and depreciation errors Audit testing identified several misclassification errors, primarily resulting from leases incorrectly considered to be within the scope of IFRS16 (£2.6 million), and assets not being reclassified appropriately over recent years. In addition, some assets had not been depreciated in line with accounting requirements during this period. These errors resulted in an overstatement of the net book value of land and buildings of £3.2 million.	Management has revised the classification of non-current assets to correct the errors identified during the audit.
3.Non-current assets – land revaluations Audit testing identified a valuation error relating to one land asset, which had been revalued using a rate of £247,100 per hectare instead of the correct rate of £150,000 per hectare. This resulted in an overstatement of the net book value of land and buildings of £1.4 million.	Management subsequently revised the valuation, and we are satisfied that the net book value of land assets, totalling £18 million in the audited accounts, is not materially misstated.
4.Non-current assets – school revaluations Audit testing identified a school and a school extension which had been valued using incomplete data relating to costs incurred. This resulted in an understatement of £1.5 million.	Management subsequently revised the valuation, and we are satisfied that the net book value of land assets, totalling £18 million in the audited accounts, is not materially misstated.
5.Non-current assets revaluations – condition surveys Audit testing identified two assets which had been revalued using condition surveys which had been undertaken in 2008. There is therefore a risk that the condition survey does not accurately represent the condition of the asset and the assets could be over or under valued. Assets sampled with out-of-date condition ratings were valued at £372k and £15k.	We projected the potential error and concluded that it is unlikely to be material to the financial statements. The council should ensure that all assets are subject to an up-to-date condition survey as part of the valuation process. Where the council determines that it is not cost-effective to survey assets of low value, this approach should be clearly set out in a formal policy, including a defined de minimis threshold. This should be set to provide sufficient assurance that asset values are not materially misstated. Recommendation 2 (refer Appendix 1)

Source: Audit Scotland

Qualitative aspects of accounting practices

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

Accounting policies

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

Accounting estimates

- 24.** Accounting estimates are used in number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension liability. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts.
- 25.** We identified a number of issues relating to the valuations of land and buildings [Exhibit 2](#). Notwithstanding the issues set out in [Exhibit 2](#) we concluded:
- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
 - There was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

- 26.** The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.
- 27.** In accordance with normal audit practice, presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

Group audit

28. The council is part of a group and prepares group financial statements. The group is made up of six components, including the council which is the parent of the group. The audit work performed on the group’s components is summarised in [Exhibit 3](#).

Exhibit 3
Summary of audit work on the group’s components

Group component	Auditor and audit work required	Summary of audit work performed
Midlothian Council	Audit Scotland Full scope audit of the council’s annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
Trusts, bequests, common good community funds	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Pacific Shelf 826 Ltd (Subsidiary)	Henderson Loggie Analytical procedures at the group level.	Pacific shelf was dissolved during 2024/25.
Lothian Valuation Joint Board (Associate)	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Midlothian Integration Joint Board (Joint Venture)	Audit Scotland Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.
Midlothian Energy Ltd (Joint Venture)	PWC Analytical procedures at the group level.	Analytical procedures at the group level were performed by the audit team, and no significant issues were identified.

Source: Audit Scotland

Audit adjustments

- 29.** Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £0.55 million are outlined in [Appendix 2](#).
- 30.** Management of the council processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

Significant risks of material misstatement identified in the Annual Audit Plan

- 31.** Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 4](#).

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Audit response	Outcome of audit work
Significant risks of material misstatement		
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team: • Evaluated the design and implementation of controls over journal entry processing. • Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Tested journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluated significant transactions outside the normal course of business. • Assessed the adequacy of controls in place for identifying and disclosing	• Our testing of journals, year-end transactions, accruals and prepayments did not identify any incidents of management override of controls. • We did not identify any unusual journal activity. • Our assessment of the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements did not highlight any weaknesses. • The methods and assumptions used to prepare accounting estimates were confirmed to be consistent with prior years. Conclusion: As a result of the above work we are

Risk of material misstatement	Audit response	Outcome of audit work
	related party relationships and transactions in the financial statements. Assessed changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	satisfied that there is no material misstatement arising from this risk.
Valuation of property, plant and equipment The council held £1.2 billion of property, plant, and equipment (PPE) at 31 March 2025, of which £1.1 billion was land and building assets. The council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations. All non-current 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 land and buildings. Due to the inherent complexity and subjectivity involved, a significant risk of material misstatement for	The audit team: - Evaluated the design and implementation of controls over the valuation process. - Reviewed the information provided to the valuer and assess this for completeness and accuracy. - Evaluated the competence, capabilities, and objectivity of the valuer. - Obtained an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. - Reviewed the appropriateness of the key data and assumptions used in the 2024/25 valuation process, and challenge these where required. - Reviewed management's assessment that the value in the balance sheet of assets not subject to a valuation process in 2024/25 is not materially different to current value at the year-end, and challenge this where required.	- We did not identify any issues with the information provided to the valuer and we found that management have an appropriate level of involvement and oversight of the valuation process. - We concluded that management's assessment of land and buildings not revalued in 2022/23 is not materially misstated. However, our audit identified that the valuation approach used for council houses in 2024/25 did not fully align with the Beacon Method. While the methodology used did not result in a material misstatement, we have highlighted areas for improvement. Further detail is provided in Exhibit 2. Conclusion: The valuation of PPE is not materially misstated.

Risk of material misstatement	Audit response	Outcome of audit work
valuations has been identified.		
Other areas of audit focus		
Pension Valuation The valuation requires the use of an actuarial methodology based on a range of assumptions including financial and demographic assumptions. Small movements in the assumptions can result in material changes to valuations.	The audit team: - Assessed the scope, independence and competence of the professionals engaged in providing estimates for pensions and reviewed appropriateness of actuarial assumptions and results including comparison with other councils. - Established officer's arrangements for ensuring the reasonableness of professional estimations and the accuracy of information provided to the actuary by Midlothian Council.	Audit work performed found: - The actuary had sufficient competence, capability, and objectivity to perform their work. - Management are involved in the estimation process and have an appropriate level of oversight. - The data and assumptions used in the estimation process were appropriate. - PwC have been commissioned as an auditor's expert to appraise the competency and assumptions of actuaries. The information provided by PwC was reviewed and provided assurance over the assumptions used by the actuary. Conclusion: The estimation of the pension valuation is not materially misstated.
Implementation of IFRS16 IFRS16 takes effect for local government bodies from 1 April 2024. This will change the way in which Midlothian Council accounts for service concession arrangements and operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously classified as operating leases.	The audit team: Reviewed the accounting treatment and disclosures made in relation to the new standard in line with guidance.	Audit work performed found: - The council had conducted appropriate review of leases and service concession arrangements to move to IFRS 16. - A management expert had been used to support the council's move to IFRS 16. - The management expert had sufficient competence, capability and objectivity to perform their work.

Risk of material misstatement	Audit response	Outcome of audit work
		Conclusion: accounting treatment and disclosures are free from material misstatement.

Source: Audit Scotland

Prior year recommendations

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

Wider scope audit

Conclusion

Midlothian Council's budget setting and financial management arrangements operated effectively during 2024/25.

In 2024/25 MIJB spend on Adult Social Care exceeded budget by £4.9 million. There continues to be a significant risk of overspend by Midlothian IJB in adult social care in 2025/26.

In recent years the council has been able to use reserves and other one-off measures such as service concession flexibilities to address budget pressures. The general fund balance decreased in 2024/25 to £32 million and the latest council forecast is predicting this balance will reduce further to £13 million at 31 March 2026 with £10 million earmarked for specific purposes.

Continuing to use general fund reserves to bridge identified funding gaps is not sustainable and it is therefore crucial that the council identifies and approves measures to balance the 2026/27 and 2027/28 budgets in the short term and subsequently over the medium to longer term.

The council has appropriate arrangements in place for its use of resources to improve outcomes, and these arrangements were found to be appropriate. There is scope to improve reporting to clearly show how the achievements translate to improvement in outcomes.

Audit approach to wider scope

Wider scope

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

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

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

Financial Management

The council has appropriate budget setting and monitoring arrangements

35. The budget process implemented by the council is well established and the officers and Finance Business Partners are very clear about their responsibilities and time frames. The process involves appropriate scrutiny arrangements, with the Council and the Business Transformation Steering Group both having opportunities to scrutinise and consider proposed actions to reduce any emerging budget gap.
36. The budget setting document includes an overview of financial assumptions and provides explanations and context setting as appropriate.
37. Audit Scotland published briefing papers on Local Government budgets in [May 2024](#) and [May 2025](#) and these papers have been circulated to elected members. We have noted that budget papers and the budgeting process comply with good practice recommended by Audit Scotland in the briefing papers.
38. During our observations we noted that senior management and members receive regular and accurate financial information on the council's performance against budgets.

The council ended the year with a net overspend of £3 million

39. The council approved its 2024/25 revenue budget in February 2024, initially setting it at £301 million. During the year, the budget was revised to £314 million, primarily due to cross-year budget flexibility, the application of retrospective savings from the loans fund review, the use of retrospective service concessions, and the approval of a supplementary budget for Midlothian IJB.
40. The council's initial 2024/25 revenue budget was set with £5 million utilisation of reserves to achieve a balanced budget. During 2024/25 the council ended the year with an unplanned overspend of £3 million which was funded from additional utilisation of reserves. Reserves were applied to fund the following service overspends:
- Cost of transport of school pupils which exceeded the budget by £1.7 million
 - £1 million overspend on level of maternity cover in schools and temporary staffing/resources

- £0.5 million due to increased costs of waste disposals.

41. [Exhibit 5](#) shows that over the past three years the council has worked hard to manage the gaps in the budgets through various means including savings and flexibilities, additional council tax funding and use of reserves.

Exhibit 5

Key financial information

Budget setting	2022/23 £m	2023/24 £m	2024/25 £m
Budget gap	9.7	7.8	5.5
Additional funding approved as part of budget setting:		0.1	3.5
Total base budget gap	9.7	7.9	9.0
Base budget gap planned to be balance by:			
Approved savings measures		3.6	2.0
Utilisation/(Enhancement) of reserves	2.0	1.0	6.8
Financial flexibilities	6.4	0.0	0.0
Council tax increase	1.3	3.0	0.0
Council tax on second homes		0.1	0.1
Fees and charges		0.2	0.1
Total funding of base budget gap	9.7	7.9	9.0
Savings delivered (relative to value agreed in setting the budget)	0.0	3.4	1.7
Actual in-year utilisation of reserves	-4.9	9.1	19.8

Source: Midlothian Council audited annual accounts and budget documents

The council delivered 85% of their savings target in 2024/25; however, general fund reserves were used to balance the budget.

42. The council achieved £1.7 million of savings in 2024/25, and the general fund balance reduced from £52 million to £32 million at 31 March 2025.

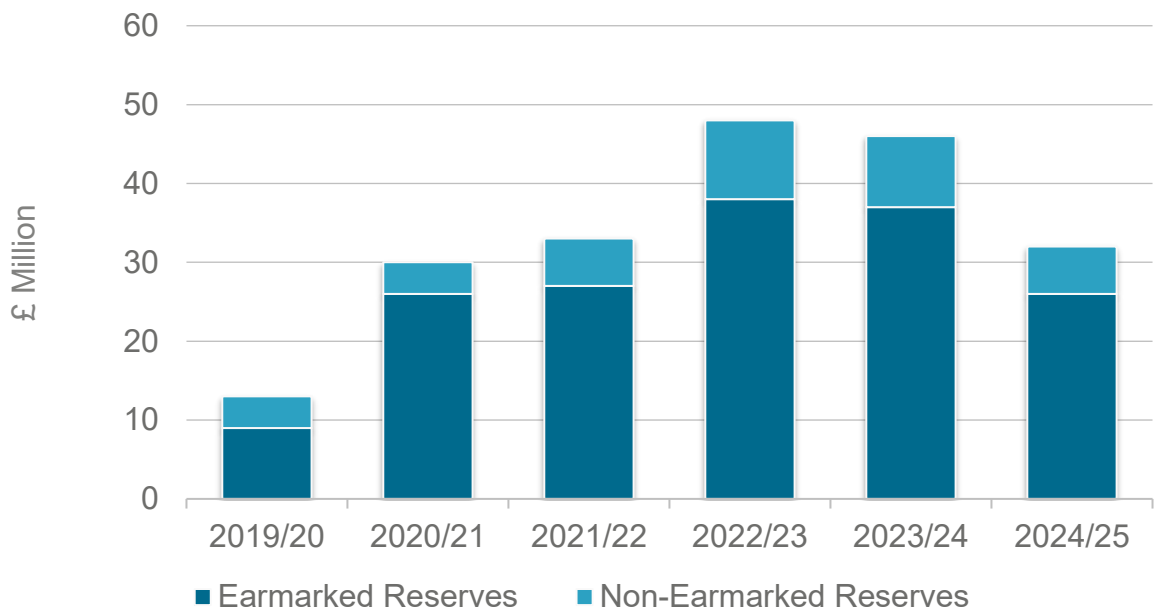
There is a significant risk of overspend by Midlothian Integration Joint Board on adult social care in 2025/26

- 43.** Midlothian Council provide Midlothian Integration Joint Board (MIJB) an annual sum for services managed by Midlothian Health and Social Care Partnership. This sum is adjusted in-year in accordance with the integration scheme. In 2024/25 MIJB spend on Adult Social Care exceeded budget by £4.9 million. Current projections are showing an overspend of £1.43 million in 2025/26. There is an active recovery plan in place to address this overspend but it remains an area of significant risk.

The level of usable reserves held by Midlothian Council decreased

- 44.** One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the council decreased from £106 million in 2023/24 (including the loans fund review opening balance adjustment of £5 million) to £85 million in 2024/25, £79 million of which has been earmarked for specific purposes.
- 45.** The usable reserves balance of £85 million includes:
- £26 million of General Fund earmarked reserves
 - £53 million of ring-fenced reserves (Housing Revenue Account, Capital Fund, and Repairs and Renewals Fund)
 - £6 million of General Fund non-earmarked reserves.
- 46.** [Exhibit 6](#) provides an analysis of the general fund over the last five years split between earmarked and non-earmarked reserves. The graph highlights a downward trend in the level of reserves, with the balance of non-earmarked reserves now at a low level compared to prior years.

Exhibit 6
Analysis of General Fund balance



Source: Midlothian Council audited accounts

- 47. In recent years the council has been able to use reserves and other one-off measures such as service concession flexibilities to address budget pressures.
- 48. However, looking forward if recurring savings cannot be identified and achieved to balance the annual revenue budget over the medium- term, and the council continues to use general fund reserves to bridge identified funding gaps, the non-earmarked reserves balance will be depleted at a pace that is not sustainable.
- 49. As reported in 2023/24 in our Annual Audit Report, the purpose of the earmarked reserves could be re-examined by elected Members should there be a need to release some of these balances to support financial pressures.

The Housing Revenue Account reported an overspend of £3.2 million in 2024/25 against budget

- 50. The council has a statutory obligation to maintain a separate housing revenue account (HRA) and to ensure that rents are set at a level which will at least cover the costs of its social housing provision.
- 51. Overall, the HRA is showing an overspend of £3 million against budget at 31 March 2024 (2023/24: overspend £1.5 million) due to additional spend on repairs and maintenance costs and increased levels of outstanding rent debt and historic write-offs, some of which were offset by savings of £1 million from lower loan charges due to the re-phasing of capital projects. The overspend on repairs and maintenance has been attributed to the council progressing

installation of environmental monitors in every property and to addressing any dampness issues which have been identified by the monitors.

- 52.** Reserves decreased by £1.3 million against an expected increase of £1.6 million when the budget was set due to service overspends.

General Services capital expenditure increased in 2023/24

- 53.** Total General Services capital expenditure in 2024/25 was £49 million, (2023/24: £47 million), representing a net underspend of £0.2 million against the rephrased budget of £49 million.
- 54.** The council delivered against its capital spend budget for 2024/25 without using its capital reserves to balance the budget. The council's closing capital fund balance at 31 March 2025 was £18 million. £8 million of this is committed to fund the City Deal and £7 million is committed to supporting capital investment.

Financial systems of control

- 55.** From our review of the design and implementation of systems of internal control (including those relating to IT) relevant to our audit approach, we did not identify any issues with the design of the controls which would increase the risk of a material misstatement in the financial statements. However, we identified three areas where controls could be improved as set out in [Exhibit 7](#).

Exhibit 7

Key findings from review of key controls

Audit findings	Additional audit procedures
1. Journals The council's financial ledger is the system for recording all transactions and preparing the financial statements. Journal entries are how the council's financial ledger is manually updated. To minimise the risk of error and fraud we would expect each journal entry to be prepared and authorised by different members of staff. This control is not in operation for a small number of staff within the finance team. The ability of officers to approve their own journals increases the risk that invalid, erroneous or fraudulent journals could be posted to the financial ledger. We reported this control weakness in our 2022/23 and 2023/24 Annual Audit Reports	Our journal entry testing throughout the year was tailored to reflect the increased risk arising from the lack of segregation of duties, specifically the ability for specific individuals to self-approve journals. No issues were identified as a result of this testing.

Audit findings	Additional audit procedures
and the council has confirmed they are accepting of the associated risks.	
2. Ledger access Access to the ledger requires to be tightly controlled to mitigate the risk of fraudulent mis-postings. Midlothian Council has provided a number of officers with superuser access which permits enhanced access to the ledger for IT support requirements. A list of superusers is held and monitored on a regular basis but the reviews are not documented.	We performed a focussed review and testing of journals posted by Superusers. We did not identify any errors from this review and testing. Recommendation 2 (refer Appendix 1) We recommend implementing procedures to ensure the superuser access list is reviewed and formally approved on a regular basis.
3. Council tax – secondary checks Council procedures require the council tax processing team to perform at least 10 samples checks per year of the exemptions, discounts, reductions and refunds applied to council tax. Our testing identified that only 3 out of the 10 checks had been performed during 2024/25.	We performed additional testing of council tax exemptions, discounts, reductions and refunds processed during 2024/25. We did not identify any issues. Recommendation 3 (refer Appendix 1) We recommend that secondary checks of council tax exemptions, discounts, reductions and refunds are performed by officers to obtain assurance over the data processed.
4. IT control weaknesses Audit testing identified some weaknesses in IT controls with regard to: • Capacity. • Business continuity and emergency response planning.	We discussed IT control weaknesses with officers who confirmed that: • Work is ongoing to finalise recruitment gaps. • Business Continuity plans have undergone a review in 2024/25 and are at various stages of approval.

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

- 56.** In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants, and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.
- 57.** The council has adequate arrangements in place to prevent and detect fraud or other irregularities.

National Fraud Initiative

- 58. Midlothian Council continues to participate in the National Fraud Initiative (NFI) 2024/2025 which is a UK wide counter-fraud exercise led by the Cabinet Office and Audit Scotland. It uses data analytic techniques to compare information about individuals held by different public bodies, and on different systems, to identify circumstances (data matches) that might suggest the existence of fraud or error.
- 59. The Chief Internal Auditor of the council acts as the Key Contact for NFI and the Corporate Fraud Team has coordinated the submission of the required data sets from various Council systems and responded to the data matches received with input from relevant services across the council.
- 60. We consider that the council has adequate arrangements in place to prevent and detect fraud or other irregularities.

Financial Sustainability

The council is projecting a cumulative budget gap of £10 million to 2028/29

- 61. The council updated the five-year revenue budget strategy in June 2025 and is projecting a cumulative budget gap of £10 million to 2028/29.
- 62. The council's Medium Term Financial Strategy (MTFS) is designed to provide a multi-year financial framework aligned with the council's Strategic Plans. A key focus is ensuring long-term financial sustainability.
- 63. Budget projections are underpinned by a set of planning assumptions that are subject to change due to external economic conditions, Scottish Government funding allocations, national pay settlements, and local cost pressures. These assumptions are regularly reviewed and updated by the council to ensure financial forecasts remain robust and responsive.
- 64. Our Best Value thematic report published in June 2025 acknowledged the council's awareness of the challenging fiscal environment and emphasised the need to accelerate progress on outstanding projects included in the Transformation Blueprint, within existing resources.
- 65. In February 2025 the council approved a revenue budget for 2025/26 with total planned expenditure of £321 million.
- 66. The latest 2025/26 budget monitoring report reported to the council in September 2025 is projecting an overspend of £3 million against a revised budget of £335 million. The projection of the general fund

balance at 31st March 2026 is £13 million, of which £10 million is earmarked for specific use and £3 million is non-earmarked.

67. The council recognises that there is a significant risk of failing to maintain a balanced MTFS, and consequently there is also a significant risk that available reserves could be depleted. If this risk materialises, the council's ability to respond to unforeseen events would be severely constrained and substantial budget reductions may be necessary.
68. It is therefore crucial that the council identifies and approves measures to balance the 2026/27 and 2027/28 budgets in the short term and subsequently over the medium to longer term.

Vision, Leadership and Governance

69. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:
 - having a Single Midlothian Plan 2023-27 in place, supported by operational plans, that clearly set out its vision, strategy, and priorities.
 - involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
 - having detailed financial and performance reporting in place, both internally and externally, that is linked to its operational plans, with effective scrutiny and challenge of performance provided by the Performance Review and Scrutiny Committee.
 - having effective governance arrangements in place, as reflected in the Annual Governance Statement included in the annual accounts.

Use of Resources to Improve Outcomes

70. The council has appropriate arrangements in place for its use of resources to improve outcomes, and these arrangements were found to be appropriate. There is scope to improve reporting to clearly show how the achievements translate to improvement in outcomes. This judgement is evidenced by the council:
 - having a Planning and Performance Management Framework (PPMF) in place which provides a good base for supporting delivery of outcomes and improving performance. The PPMF was published in 2023 and refreshed in 2025.

- Having a Local Outcomes Improvement Plan (The Single Midlothian Plan). The Community Planning Partnership Board monitors performance of the Single Midlothian Plan every six months with the annual report highlighting success stories arising from the achievement of outcomes.
- using a separate balanced scorecard to track the performance indicators for the services it is directly responsible for.

Midlothian Council Balanced Scorecard results show stable performance with some improvements reported across a range of service areas

71. For 2024/25, the council revised its approach to reporting performance indicators, aligning them with the seven thematic priorities set out in the Strategic Management Plan (SMP). Our review of the Balanced Scorecard results indicates that the proportion of objectives reported as on-target remains consistent with the previous year. We found there to be examples of improvements reported across some service areas as demonstrated in [Exhibit 8](#).

Exhibit 8
Midlothian Council 2024/25 - Summary of Improved Performance

Area	Improvement Highlights
Health & Social Care	96%+ targets met in care services Improved inspection grades Faster referrals
Children & Families	283 staff trained in trauma-informed care Expanded fostering & kinship support
Employability	£4.46 million in benefits generated £123K income for families via maximisation projects
Digital Transformation	3,700 devices upgraded 500 interactive screens installed New intranet launched
Environment	6,642 volunteer hours Food waste collection expanded to 2,500 homes
Libraries	770,000 visits 102,000 event attendees 29% increase in events National award won
Infrastructure	3,122 potholes repaired 472 street lights replaced New school and energy centre

- 72.** From our review of performance reports we found that service reports provided a good mix of narrative, visual and target information, with details of achievements in 2024/25, but key messages are not explicit, and it is unclear how the achievements translate to improvement in outcomes and performance indicators. Management have advised that all services have completed a review of their performance reports for quarter one in 2025/26 with the aim of working towards demonstrating this in their quarterly reporting.

Best Value audit

Conclusion

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

The Management Report on themes prescribed by the Accounts Commission reported Midlothian Council has been innovative and demonstrated its commitment to transforming services, but there is a need to accelerate progress on the remaining projects within the Transformation Blueprint within the resources available.

Audit approach to Best Value

- 73. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value, including follow up of findings previously reported in relation to Best Value.
- 74. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2024/25 is on transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

- 75. The council has well established and effective governance arrangements in place, with Best Value being a key aspect of the governance arrangements.
- 76. The audit work performed on the arrangements the council has in place for securing Best Value and its community planning arrangements found these were effective and appropriate.

Statutory performance information (SPI) and service performance

- 77.** The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the body to report its:
- performance in improving services and progress against agreed desired outcomes, and
 - a self-assessment and audit, scrutiny, and inspection body assessment of how it has responded to these assessments.
- 78.** Auditors have a statutory duty to satisfy themselves that the body has made proper arrangements for preparing and publishing statutory performance information in accordance with the Direction and report a conclusion in the Annual Audit Report.
- 79.** Audit work assessed the arrangements the council has in place for preparing and publishing SPIs, including how it has responded to assessments. We concluded the arrangements in place were effective and appropriate.

Progress against previous Best Value findings and recommendations

- 80.** Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and Controller of Audit Reports on the council's performance in meeting its Best Value duties.
- 81.** During 2024/25 the council continued to progress the one remaining Best Value improvement action reported in our Best Value Assurance Report 2019 and we are pleased to report that all actions have now been implemented.
- 82.** Details of previous recommendations from our thematic reviews and progress the council is making against these can be seen in [Appendix 1](#). Overall, the council is making good progress in implementing the previous recommendations made, with one of the previous recommendations made being implemented in 2024/25 and progress being made with four further recommendations.

Transformation: how councils are redesigning and delivering more efficient services to achieve planned outcomes

- 83.** As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2024/25 on service transformation. Conclusions and judgements on the council's approach to service transformation are outlined in a separate Management Report which is available on the Audit

Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- Midlothian Council recognises that transformation is essential to ensure service delivery remains financially sustainable and has published a Transformation Blueprint for Midlothian. The council is focused on delivering a wide range of key transformation initiatives to progress the Transformation Blueprint. This includes a variety of digital initiatives being progressed as part of its Digital Transformation Strategy to create efficiencies in its operations.
- The council recognises that it is operating in a fiscally challenging environment and now needs to find a way to accelerate progress on the remaining projects within the Transformation Blueprint within the resources it has available.
- It is too early to fully determine the scale of all of the projects being taken forward, and the extent to which they will contribute towards closing the council's funding gap.
- The council has established effective governance arrangements for reporting progress with delivering transformation to its senior leadership team and elected members.

Appendix 1: Action Plan 2024/25

2024/25 Recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Non- current assets council dwellings The council undertook a full valuation of its council dwellings stock in 2024/25. Council dwellings require to be valued on an Existing Use Value – Social Housing (EUV-SH) basis. The Beacon Method is the methodology which estimates this. We found that the valuation approach used for council houses in 2024/25 did not fully align with the Beacon Method. Specifically, actual physical beacon properties were not used to value each property archetype. The Beacon Method relies on the market value of a representative property assuming vacant possession, with an adjustment to reflect occupation by a secure tenant. However, the valuer identified a hypothetical beacon for each archetype and utilised sales comparables to derive the valuation, rather than basing it on actual beacon properties.	To fully comply with RICS guidance, Management should apply the Beacon Method when performing a full valuation of its council dwelling stock.	Agreed Action: Accepted. The Council’s valuation basis in this area was reviewed during 2024/25 but not amended due to management concerns over the availability of useable data to fully comply with guidance. This will be further considered during 2025/26. Responsible Officer: Chief Financial Officer and Section 95 Officer / Head of Development Date: 31 March 2026
2. Ledger access	We recommend implementing procedures to	Agreed Action: Accepted

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
Access to the ledger requires to be tightly controlled to mitigate the risk of fraudulent mis-postings. Midlothian Council has provided a number of officers with superuser access which permits enhanced access to the ledger for IT support requirements. A list of superusers is held and monitored on a regular basis but the reviews are not documented.	ensure the superuser access list is reviewed and formally approved on a regular basis.	Responsible Officer: Chief Officer Corporate Solutions Date: 31 December 2025
3. Council tax – secondary checks Council procedures require the council tax processing team to perform at least 10 samples checks per year of the exemptions, discounts, reductions and refunds applied to council tax. Our testing identified that only 3 out of the 10 checks had been performed during 2024/25.	We recommend that secondary checks of council tax exemptions, discounts, reductions and refunds are performed by officers to obtain assurance over the data processed.	Agreed Action: Secondary checks as per the recommendation will be introduced in the 2025/26 financial year and embedded in the service work plan moving forwards. Responsible Officer: Chief Officer Corporate Solutions Date: 31 March 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
Non-current assets condition surveys In 2023/24 the council performed a full valuation of other buildings in line with its revaluation policy. The condition survey ratings held on the non-current asset register were considered in	The most up to date condition ratings should be applied to all buildings at the date of valuation.	In progress Audit testing in 2024/25 identified two assets which had been revalued using condition surveys which had been undertaken in 2008. We projected the potential error and concluded that it is unlikely to be material to the financial statements.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
preparing the valuation estimates. We found that a number of condition surveys were updated during 2023/24 and were allocated reduced ratings. Although the surveys were not finalised until after the year end, the revised condition ratings applied to the relevant buildings at 31 March 2024 and should have been considered in calculating the valuation estimates. This resulted in an estimation error of £19 million in the unaudited accounts. Risk: There is a risk of error in the valuation of buildings.		Revised action: The Council have identified all buildings with an older condition survey and will consider the appropriateness of carrying out this work in the context of building use priority and available financial resources. Responsible officer: Head of Development Revised date: 31st March 2026
Non-current assets council dwellings Determining the valuation of council dwellings involved applying discount factors to reflect the difference between social and market rents. In 2023/24 the discount factor applied was 33% which we found to be reasonable in comparison to a number of similar authorities. However, guidance for valuers – ‘stock valuation for resource accounting’ published in 2016 by department for communities and local government highlights that the discount factor for social housing should be determined with reference to the relationship between rents and yield in the private residential sector	To fully comply with Guidance for valuers – ‘stock valuation for resource accounting’ published in 2016 by department for communities and local government, Management should consider the rent yield adjustment in valuations of council dwellings.	Not implemented Rent yield is not being used in 2024/25. The valuer considered whether including the rent yield would result in a more accurate valuation and concluded that there is limited data in Scotland regarding rent yields. The adjustment factor used by the valuer is similar to those used by other Lothian councils and we are reasonably assured that the valuation is not materially misstated. We will revisit this at the next full valuation to confirm that the valuer’s approach remains appropriate.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
and the public / socially rented sector. We found that the rent yield factor had not been considered when valuing council dwellings in Midlothian. Risk: There is a risk that the valuation of council dwellings does not fully comply with guidance.		
Ledger access Access to the ledger requires to be tightly controlled to mitigate the risk of fraudulent mis-postings. The Superuser list, which is small group of users with enhanced access to ledger for IT support requirements, is not currently monitored on a regular or formal basis. Risk: There is an increased risk of fraud or error.	We recommend that the Superuser list is subject to a formal and regular review process.	Superseded. Refer Appendix 1
Bank accounts At the year-end we identified over 20 bank accounts (mainly imprest accounts) with small balances which were not reconciled to the ledger on a regular basis. Risk: There is a risk that errors may not be picked up and corrected timeously. There is also a risk that the council is operating a number of bank accounts which are no longer required.	The council should consider the bank accounts held and if they are still required.	Ongoing Revised action: The review of all bank accounts has been undertaken. The council is currently working jointly with RBS to get a full consolidated list of accounts that are appropriately classed under Midlothian Council's Corporate Identification Number (CIN) so they can correctly cross-reference these both to the list of accounts available to view/transact on RBS bankline and on their General Ledger.

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
Performance reporting We reviewed a sample of service performance reports and concluded that the reports provide a good mix of narrative, visual and target information and there is a lot of detail outlining details of achievements in 2023/24, but key messages are not explicit, and it is unclear how the achievements translate to improvement in outcomes. Where areas of underperformance are reported it is not always clear how the council is addressing these areas. Risk: Performance reports are not providing clear information to enable monitoring of performance against key Council objectives.	The council should review and streamline service performance reports. Key messages should be clear, and performance should be mapped to outcomes.	Responsible officer: Chief Financial Officer Revised date: 30 September 2025
		Ongoing Revised Action: All services reviewed performance reports for Q1 2025/26 and are working towards demonstrating this in their quarterly reporting. Responsible officer: Chief Officer Corporate Solutions Revised date: 31 March 2026

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
Capacity of human resources team The human resources team is small with four members of staff, each allocated to a directorate with an overall council workforce of around 4,000 full time equivalent. Discussion with officers highlighted that finding	It is critical that the council ensures it has sufficient capacity and to deliver its corporate workforce strategy and detailed plans within agreed timescales.	Implemented One full time equivalent fixed-term HR/OD Advisor (18 months) has been appointed to support casework, refresh the Council's values, and revise the induction programme. The advisor

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
capacity for strategic workforce planning alongside business as usual is challenging and could affect the delivery of objectives within timescales. Risk: Workforce planning is not being progressed in line with corporate objectives.		recently achieved CIPD accreditation. Two 18-month fixed-term roles, funded through Transformation, are focused on key Workforce Strategy priorities: Talent (developing innovative recruitment strategies to address workforce gaps) and Reward (reviewing pay, grading, and staff benefits to improve recruitment and retention, and tackling high-cost staffing practices like overtime and agency use). Both roles are currently being recruited.
Organisational impact of hybrid and flexible working The council has not assessed the overall impact of hybrid and flexible working at an organisational level for example on performance, budget savings and efficiencies. Discussions are ongoing about the impact of hybrid working on the estate; while the council has data on the use of their offices there are no current proposals on changing the estate. Risk: Employees and the council may not be securing planned benefits and efficiencies from adopting hybrid and flexible working.	The council should assess the impact of hybrid working at an organisational level to ensure this way of working is generating organisational benefits as well as benefits for employees on an individual level.	Ongoing Revised action: Hybrid working is in place for suitable roles, though not feasible for face-to-face services like Social Work. It offers non-financial recruitment benefits, but tangible financial impacts are harder to measure. One example is the planned rationalisation of the Dalkeith estate—from three buildings to a single Customer Hub (opening mid-2027). This will reduce running, energy, and maintenance costs, and generate capital receipts from the sale of Fairfield House and the Library & Arts Centre, supporting the Dalkeith Town Centre regeneration. The Council's Estate and Asset Management Strategy is under review and will be presented for approval in Autumn 2025. This work is led by the Head of

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
		Development under the Blueprint programme. Responsible officer: Chief Officer Corporate Solutions Revised date: 31 March 2026
Staff survey The council has not carried out a staff survey for a few years although it is something they are considering doing again. This makes it difficult to identify and monitor trends in how staff are feeling. Risk: The council has no measure of how staff are feeling or the impact across the workforce of any new workforce policies or initiatives.	The council should carry out regular staff surveys to identify and monitor trends in how staff are feeling. This will enable the Council to measure the impact of any new workforce policies or initiatives.	Ongoing Revised action: Survey responses were themed and aligned to Workforce Strategy actions under “You said, we did, we will do.” Key actions progressed include: • Launch of a new staff benefits platform (Sept 2025), with local discounts in Phase 2 • Weekly wellbeing-focused newsletter • New external web pages showcasing Transformation programme progress • Launch of a Wellbeing Charter (Oct 2025) and first annual wellbeing month • Establishment of a staff equalities group (Autumn 2025) • Review of people policies • Launch of Council values (Aug 2025), with promotional activity to follow • New corporate induction programme Following on from this work the council will determine what a staff engagement approach will be. Responsible officer: Chief Officer Corporate Solutions

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
Developing future skills and capacity Capacity and recruitment issues are significant challenges for the council. Some good employment initiatives are in place and there are some examples of succession planning but this is not being done in a formalised or consistent way. Risk: Capacity and recruitment issues are not being addressed consistently or in line with corporate objectives.	The council needs to formalise its overall approach to recruitment and developing future skills and capacity.	Revised date: 31 December 2026 Ongoing Revised action: This work programme forms part of the ten-year Workforce Strategy that was approved by the Council in December 2024. In 2025, strategic workforce planning was prioritised, including collaboration with the LGA and workshops for senior managers. A risk-based, service-level planning approach will identify skills gaps, succession needs, and inform financial planning. Additionally, CMT have approved a new Management and Leadership Framework, launching in early 2026, to support leadership development and promote a learning culture across the organisation. Responsible officer: Chief Officer Corporate Solutions Revised date: 31 December 2026
Shared services Midlothian Council shares several services with other councils across the Lothian region. The Council has not captured the extent to which there have been workforce benefits resulting from these shared roles. These might include reduced workforce, costs, or service benefits Risk: The council is unable to demonstrate workforce benefits resulting from shared roles. This	The council should consider capturing the extent to which there have been workforce benefits resulting from shared services.	Not implemented. Revised Action: Shared services continue (where appropriate) in the Council and services continue to look at ways to work with other Councils on joint projects are areas of similarity. No formal KPIs have been established yet and is challenging to do so and evidence tangible benefits. Responsible officer: Chief Officer Corporate Solutions

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
information would help with workforce planning and budgeting.		Revised date: 31 December 2026
Performance management framework To ensure the success of the workforce plan the council needs to develop a high-quality performance management framework linked to the strategy. Risk: Without the use of robust data the council will not be able to make informed decisions about staffing levels, skills requirements and resource allocation which would help build a sustainable workforce.	The council should ensure that organisational and service level workforce strategies are supported by appropriate performance management information including quantifiable metrics.	Ongoing Revised action: Work is ongoing on metrics that demonstrate impact of the Workforce Strategy. Responsible officer: Chief Officer Corporate Solutions Revised date: 31 December 2025

Appendix 2: Summary of corrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
Corrected misstatements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Overvaluation of land due to applying the incorrect rate per hectare.					
	Unusable Reserves			1,443	
	PPE				1,443
2. Completed assets included in Assets under construction and HRA operational assets at the year end. Removal of double counting.					
	Unusable Reserves			2,142	
	PPE				2,142
3. Operational assets had not been depreciated.					
	Unusable Reserves			283	
	PPE				283
4. One asset was incorrectly classified as an operational asset when it should have remained in Assets Under Construction.					
	Unusable Reserves				1,379

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)	Statement of Financial Position (SoFP)
	PPE		1,379
5. Incorrect figure had been used in the valuation of two schools.			
	Unusable Reserves		1,486
	PPE		1,486
6. Leases had been incorrectly included in the balance sheet.			
	Unusable Reserves		1,147
	Short term Liabilities		163
	Long term Liabilities		1,306
	PPE		2,616
7. Internal recharges required to be reallocated from Corporate Solutions to Place.			
	Corporate Solutions	8,090	
	Place	8,090	
8. Incorrect floor sizes had been used in the valuation of a school and a leisure centre.			
	PPE		666
	Unusable Reserves		666
9. Non -Domestic Rates Interagency debtor/creditor – adjustment to correct an overpayment through interagency payment by City of Edinburgh Council.			

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
	Short Term Debtors			5,845	
	Short Term Creditors				5,845
Total restatements		8,090	8,090	15,860	15,860

Appendix 3: Supporting national and performance audit reports

Report name	Date published
Council Tax rises in Scotland	28 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Additional support for learning	27 February 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Sustainable transport	30 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Auditing climate change	7 January 2025
NHS in Scotland 2024: Finance and performance	3 December 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Alcohol and drug services	31 October 2024
Transformation in councils	1 October 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
Scotland's colleges 2024	19 September 2024
Local government budgets 2024/25	15 May 2024

Midlothian Council

2024/25 Annual Audit Report



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