

North Lanarkshire Council

2024/25 Annual Audit Report



Prepared for North Lanarkshire Council and the Controller of Audit
September 2025

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Contents

Key messages	3
Introduction	6
Audit scope and responsibilities	7
Audit of the annual accounts	9
Wider scope audit	23
Best Value audit	41
Appendix 1	47
Appendix 2	58
Appendix 3	60
Appendix 4	61

Key messages

Audit of the annual accounts

- 1 All audit opinions state that the annual accounts of North Lanarkshire Council, and its group were free from material misstatement for the year ended 31 March 2025.
- 2 From 1 April 2024, a new International Financial Reporting Standard, IFRS 16 came into effect for Local Authorities. The unaudited accounts were submitted for audit incorporating the required IFRS 16 accounting entries and disclosures for PPP arrangements however, the required entries and disclosures for property, vehicles, and plant and equipment were not. This omission was due to delays in gathering and reviewing the necessary lease data in collaboration with the council's leasing advisors.
- 3 Adjustments have been made to the annual accounts as a result of the audit process as detailed in [Exhibit 2](#) of the report. Two misstatements were not corrected for which would increase net expenditure by £12.7 million and decrease the net assets in the balance sheet by the same amount.
- 4 The council's significant trading operation did not comply with the statutory requirement to break even for the third year running.

Wider scope audit

- 5 The council has effective financial management arrangements that aim to ensure that the council operates within its annual budget for 2024/25. The council reported a net underspend of £12.2 million in year.
- 6 The council has consistently operated within revenue budgets over several years demonstrating effective financial control. Underspends have been earmarked to support future budget pressures and strategic change activity. However, the council has not defined a target for the level of its reserves. The council's contingency reserve is held at £8 million. At less than 1% of annual revenue budget it is unclear the basis of this and whether this is sufficient to meet unforeseen or unplanned costs. While we recognise that the council has earmarked reserves for future budget pressures, it is important that there is

clear rationale for the purpose of earmarked reserves and a strategic review of reserve balances to ensure these are applied appropriately in the future while maintaining the council's financial resilience.

- 7 The council's financial strategy provides a framework for managing significant financial challenges. This includes the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy and Medium-Term Financial Plan as well as policies and regulations. The forecasted budget gap continues to widen with a projected cumulative budget gap of £136.9 million over the five years to 2030/31. Given the scale of emerging challenges and the widening budget gap, a strategic shift is now essential to ensure continued financial sustainability and service delivery. The council's earmarked £12.6 million of strategic change fund needs to be used effectively to support the council's transformation activity and deliver the desired outcomes of The Plan for North Lanarkshire.
- 8 The council has a clear, ambitious vision, using a place-based approach and working with partners to deliver 'The Plan for North Lanarkshire'. This sets out a shared ambition to make 'North Lanarkshire the place to Live, Learn, Work, Invest, and Visit' and is supported by the council's Programme of Work.
- 9 The council has appropriate arrangements in place to ensure the new enterprise contracts achieve value for money. The two contracts are for the delivery of Housing and Corporate Maintenance and Investment Services, and Roads and Infrastructure Maintenance and Improvement Services. Audit work found that although performance reporting is still developing due to the early stage of implementation, the necessary tools and frameworks are in place to support effective contract management.
- 10 Early retirements for two Chief Officers were processed in line with policy however there was limited documentation of alternative options considered, and the council should review its policies and procedures to ensure that exit packages of senior officers are subject to additional scrutiny.

Best Value audit

- 11 The council has effective and appropriate arrangements in place for securing Best Value.
- 12 The Management Report on themes prescribed by the Accounts Commission reported the council has made a strategic decision to integrate transformation activity across its Programme of Work, giving services direct responsibility for

delivering change. Effective governance arrangements are in place to oversee its transformation work. The council recognises that there needs to be a clear link between it transforming its services and addressing its budget gap by delivering transformation in a financially sustainable way.

- 13** Areas for improvement in the Management Report include making the council's performance against its 28 health check indicators more accessible to the public and how it tracks the transformation benefits at a project level.
 - 14** The council's performance remains mixed with a trend of improvement in several areas whilst challenges remain.
 - 15** The council complied with Statutory Performance Information (SPI) Direction, but there continues to be opportunity to enhance public performance reporting.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of North Lanarkshire 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 North Lanarkshire 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. John Boyd, 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, John Boyd as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

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

Audit scope 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 its 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 and Scrutiny Panel. Details of national and performance audit reports published over the last year can be seen in [Appendix 4](#).

Audit of the annual accounts

Main judgements

Our audit opinions on the annual accounts of North Lanarkshire Council and its group 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.

Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report. Two misstatements were not corrected for which would increase net expenditure by £12.7 million and decrease the net assets in the balance sheet by the same amount.

The council's significant trading operation did not comply with the statutory requirement to break even for the third year running.

Audit opinions on the annual accounts

12. The council and its group's annual accounts were approved by the Audit and Scrutiny Panel on 24 September 2025 and certified by the appointed auditor on 25 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 30 June 2025 in accordance with the agreed audit timetable. The unaudited accounts were submitted for audit incorporating the required IFRS 16 accounting entries for PPP arrangements however, the required entries and disclosures for property, vehicles, and plant and equipment were not. What was submitted was of a good standard.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £652,020. 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

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

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

17. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for the council and its group

Materiality	The council	Group
Materiality – set at 2% of gross expenditure, adjusted for IJB contributions.	£29.6 million	£29.7 million
Performance materiality – set at 75% 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.	£22.2 million	£22.3 million
Reporting threshold – set at 5% of materiality.	£1.5 million	£1.5 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is the Audit and Scrutiny Panel.
19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor’s professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.
20. In determining key audit matters, auditors consider:
- Areas of higher or significant risk of material misstatement.
 - Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
 - Significant events or transactions that occurred during the year.
21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
IFRS 16 implementation From 1 April 2024, a new International Financial Reporting Standard, IFRS 16 came 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. The unaudited accounts were submitted for audit incorporating the required IFRS 16 accounting entries and disclosures for PPP arrangements however, the required entries and disclosures for property, vehicles, and plant and equipment were not. This omission was due to delays in gathering and reviewing the necessary lease data in collaboration with the council’s leasing advisors.	All IFRS 16 adjustments and disclosures for property, vehicles, plant and equipment have been made to the audited accounts. We are satisfied that the overall estimate of the liability is not materially misstated.

Significant findings and key audit matters	Outcome
The unaudited accounts included the material adjustments for IFRS 16 for two service concession arrangements. The council use models prepared by its treasury management advisors. Our audit work identified that, for the estimate relating to future indexation, following professional guidance from its treasury management advisors, the model applied indexation before year-end as its view is that the change in unitary charge payments is known and therefore have taken effect prior to the year-end date. The application of this element of IFRS 16 is subject to interpretation. Audit's interpretation of IFRS 16 is that future indexation would only be recognised at the date the cash flow increase takes effect. The overall impact on the liability for service concession arrangements between the different assumptions would be £8.7 million.	
Capital accounting Our audit work on non-current assets identified the following issues: • The council's accounting policy for vehicles, plant and equipment is historical cost however, revaluation movements of £0.3 million were made in 2024/25. This demonstrates that the valuation basis for these assets was not line with the accounting policy. • The council had previously valued bowling clubs on a mixture of depreciated replacement cost and existing use basis. The Valuer confirmed that all bowling clubs should be valued consistently on a depreciated replacement cost basis. Our audit work identified two bowling clubs still held on existing use value. Our estimate is that bowling club assets are understated by up to £0.6 million. • It is not possible to directly agree the depreciation figures reported in the financial statements to those recorded in the fixed asset register for each asset class. This has also been the case in prior years and is due to inherent limitations in	We are satisfied that the annual accounts are free from material misstatement. Management undertook a review of vehicles, plant and equipment and identified assets of £5.6 million that were subject to a valuation and therefore should be classified as land and buildings. Details of all uncorrected misstatements can be seen in Appendix 3 Recommendation 1 To address the limitations of the fixed asset register, the council should undertake a review of the fixed asset register to assess its capability to support accurate reporting. See Appendix 1

Significant findings and key audit matters	Outcome
the functionality and structure of the fixed asset register. Common Good assets Audit work identified that the council held a register of common good properties in line with Section 8 of the Community Empowerment (Scotland) Act 2015. No disclosures have been made in the council's accounts to date. LASAAC guidance on Accounting for Common Good explains that Common Good funds should be separately disclosed to the local authority financial statements. However, the council does not operate a separate Common Good Fund due to materiality. Common good assets of up to £12.7 million are held within other property, plant and equipment on the council's balance sheet. Further work is required by the council to understand the value of Common good assets held. An uncorrected misstatement of £12.7 million is reported in Appendix 3 reflecting the total carrying value of potential common good assets held being the maximum potential misstatement.	Note 15 of the audited accounts reports the council's approach to the disclosure of common good. Management undertook a further review over the course of the audit and determined that the value of common good assets was £9.5 million. Details of all uncorrected misstatements can be seen in Appendix 3. Recommendation 2 The council should continue to review requirements to disclose Common Good assets separately from council assets. See 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 considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

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. Audit work concluded:

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

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

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.

Group audit

27. The council is part of a group and prepares group financial statements. The group is made up of 11 components, including the council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3.](#)

Exhibit 3

Summary of audit work on the group's components

Group component	Auditor and audit work required	Summary of audit work performed
North Lanarkshire Council	Audit Scotland Fully 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.

Group component	Auditor and audit work required	Summary of audit work performed
North Lanarkshire Properties LLP	Armstrong Watson Audit Limited Risk assessment questionnaire completed by component auditor and review and evaluation of component auditor's work on investment property valuations.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
Fusion Assets Limited	Armstrong Watson Audit Limited Analytical procedures at the group level.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
North Lanarkshire Integration Joint Board	Audit Scotland Risk assessment questionnaire and analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Amey Public Services LLP	Forvis Mazars LLP Analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Mears Scotland LLP	Ernst & Young LLP Analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Strathclyde Partnership for Transport	Audit Scotland Risk assessment questionnaire and analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Strathclyde Concessionary Travel Joint Board	Audit Scotland Analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Lanarkshire Valuation Joint Board	Audit Scotland Analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Routes to Work Limited	Anderson Anderson & Brown Audit LLP Analytical procedures at the group level.	Accounted for on equity basis. Audit team confirmed correct accounting treatment.

Group component	Auditor and audit work required	Summary of audit work performed
Dunbartonshire Educational Trust Scheme 1962	Forvis Mazars LLP No audit work required – not consolidated on grounds of materiality.	Not applicable. We are satisfied that the Component is wholly immaterial from the group accounts.

Source: Audit Scotland

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

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

29. No issues were identified from our work in relation to these matters.

Other matters to report

30. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit.

31. ISA (UK) 240 requires auditors to report any suspected or identified fraud. The Annual Governance Statement reports details of one fraud investigation undertaken during 2024/25 related to school funds which involved a report of missing monies. In line with the Council's Corporate Fraud Policy, this matter was referred to Police Scotland for further consideration.

32. The sums involved did not impact on our audit approach.

Significant matters discussed with management

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

Audit adjustments

34. 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 £1.5 million are outlined in [Appendix 2](#).

35. In addition to the corrected misstatements detailed in [Appendix 2](#), there were two other misstatements identified greater than the reporting threshold as detailed in [Exhibit 2](#). The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

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

37. Details of the uncorrected misstatements can be seen in [Appendix 3](#).

Significant risks of material misstatement identified in the Annual Audit Plan

38. 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 .](#)

Exhibit 4

Significant risks of material misstatement to the financial statements

Risk of material misstatement	Planned audit response	Outcome of audit work
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals entries, focusing on those that are assessed as higher	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions

Risk of material misstatement	Planned audit response	Outcome of audit work
	risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. Conclusion: no evidence of fraud caused by management override of controls.
Valuation of property, plant and equipment The council held £3,032 million of property, plant, and equipment (PPE) at 31 March 2024, of which £1,352 million was land and building assets. The council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and	The audit team will: • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and	Audit work performed found: • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management are involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2024/25 valuation process were appropriate. • Management's assessment of assets not subject to a valuation process in 2024/25 was reasonable and concluded there was unlikely to be a material difference to the current value at the year-end.

Risk of material misstatement	Planned audit response	Outcome of audit work
changes in the assumptions can result in material changes to valuations.	assumptions used in the 2024/25 valuation process, and challenge these where required. Review 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.	Conclusion: the valuation of PPE is not materially misstated. The council values a 20 per cent representative sample of asset classes each year with a valuation date of 31 January, except for council dwellings which are valued at 31 March year end. The council completed a review at 31 March 2025 year end to assess whether the value of all other land and buildings assets, regardless of whether or not they were subject to valuation during the year, had materially changed to ensure that assets are not materially misstated as at 31 March 2025. This review indicated that there were no material changes in carrying values for most asset classes. Additional valuations for a small number of specific asset classes were instructed but there were no material movements. Management should consider valuing all asset classes at 31 March to reduce the risk of adjustments being required because of material movements in year. See Appendix 1, brought forward recommendation 6.
Estimation of the pension liability The council had a net pension liability of £119.5 million at 31 March 2024. The council is a member of Strathclyde Pension Fund, which is a defined benefit pension scheme. Strathclyde Pension Fund is subject to formal valuation every three years, and this sets out each member's share of	The audit team will: - Evaluate the design and implementation of controls over the pension liability estimation process. - Review the information provided to the actuary and assess this for completeness and accuracy. - Evaluate the competence, capabilities,	Audit work performed found: - The design and implementation of controls over the pension liability estimation process were appropriate. - The information provided to the actuary was accurate and complete. - 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.

Risk of material misstatement	Planned audit response	Outcome of audit work
the scheme's overall pension liability and contributions for the next three years. The last formal valuation was carried out at 31 March 2023. An estimation of the council's share of the overall pension liability is required in each intervening year between formal valuations, and these are carried out by Hymans Roberston. There is a significant degree of subjectivity in the estimation of the pension liability as the estimation is based on specialist assumptions, and changes in the assumptions can result in material changes to the estimation.	and objectivity of the actuary. - Obtain an understanding of the management's involvement in the estimation process to assess if appropriate oversight has occurred. - Review the appropriateness of the key data and assumptions used by management for the estimation of the pension liability, and challenge these where required. - Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. Therefore, the audit team will also review the information provided by PwC and reflect this in the planned audit procedures where required.	- The data and assumptions used in the estimation process were appropriate. - The information provided by PwC was reviewed and this reflected in the planned audit procedures, where required. Conclusion: the estimation of the pension liability is not materially misstated.

Source: Audit Scotland

39. As part of our risk assessment, we also identified the following as risks of material misstatement, as detailed in our Annual Audit Plan.

40. IFRS 16: the council implemented the new standard on 1 April 2024. IFRS will have a material impact on the outstanding liability of leases and service concession arrangements relating to PPP schools and waste recycling, with the council estimating an increase in liabilities of £88.1 million. Please see [Exhibit 2](#) for details of our significant findings in this area.

41. New contract arrangement: the council is continuing to wind up both Amey Public Services LLP and Mears Scotland LLP following the end of their contracts with the council on 30 September 2024 and 30 June 2024 respectively.

42. While the council is no longer actively trading with Mears Scotland LLP or Amey Public Services LLP, the council's interest in the entities remains, therefore both entities were consolidated as part of group in the 2024/25 annual accounts. We will revisit the accounting treatment in 2025/26.

The council's significant trading operation did not comply with the statutory requirement to break even for the third year running

43. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three year period.

44. The creation of a single combined Trading Account was approved in January 2014 to monitor and report the commercial trading activity of the council (currently includes Building Cleaning, Waste Management and Town Centre Activities).

45. The council reported a deficit of £0.4 million over the three year period to 31 March 2025. This includes a technical accounting adjustment for IAS 19 Employee Benefits. Once accounting for statutory adjustments which remove the impact of these adjustments, the trading operation generated a three year surplus to the General Fund of £0.03 million.

46. The adjustments for IAS 19 are made to comply with accounting standards. The pension adjustment values all future pension liabilities for employees at the balance sheet date as if these pension payments were to be made now. This does not reflect the projected pattern of when pensions will be paid. As a trading organisation, the STO results require to be reported including this adjustment.

47. We reported last year that the council updated its presentation of the Trading Account note in the 2023/24 annual accounts to reflect the cash and non-cash elements of Trading Account operations. This revised presentation remains in the 2024/25 annual accounts. The council's view is that the STO continues to represent best value.

Whole of Government Accounts (WGA) return

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

Prior year recommendations

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

Wider scope audit

Conclusion

The council has effective financial management arrangements that aim to ensure that the council operates within its annual budget for 2024/25. The council reported a net underspend of £12.2 million in year.

The council has consistently operated within revenue budgets over several years demonstrating effective financial control. Underspends have been earmarked to support future budget pressures and strategic change activity. However, the council has not defined a target for the level of its reserves. The council's contingency reserve is held at £8 million. At less than 1% of annual revenue budget it is unclear the basis of this and whether this is sufficient to meet unforeseen or unplanned costs. While we recognise that the council has earmarked reserves for future budget pressures, it is important that there is clear rationale for the purpose of earmarked reserves and a strategic review of reserve balances to ensure these are applied appropriately in the future while maintaining the council's financial resilience.

The council's financial strategy provides a framework for managing significant financial challenges. This includes the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy and Medium-Term Financial Plan as well as policies and regulations. The forecasted budget gap continues to widen with a projected cumulative budget gap of £136.9 million over the five years to 2030/31. Given the scale of emerging challenges and the widening budget gap, a strategic shift is now essential to ensure continued financial sustainability and service delivery. The council's earmarked £12.6 million of strategic change fund need to be used effectively to support the council's transformation activity and deliver the desired outcomes of the Plan for North Lanarkshire.

The council has appropriate arrangements in place to ensure the new enterprise contracts achieve value for money. While performance reporting is still developing due to the early stage of implementation, the necessary tools and frameworks are in place to support effective contract management.

Early retirements for two Chief Officers were processed in line with policy however there was limited documentation of alternative options considered, and the council should review its policies and procedures to ensure that exit packages of senior officers are subject to additional scrutiny.

Audit approach to wider scope

Wider scope

50. 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.

51. 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.

Significant wider scope risks

52. Audit work has been performed in response to the significant wider scope risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5](#)

Exhibit 5

Significant wider scope risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability North Lanarkshire Council continues to operate in an increasingly complex and challenging environment where it aims to provide the best possible services within the resources available. Although a surplus position of £3.6 million is projected for 2024/25, the Council faces significant financial uncertainty. The Council has	The audit team will: • Review and evaluation of the Council's annual budget setting arrangements • Review and assessment of budget monitoring arrangements • Review of the Council's medium to longer-term financial planning	Audit work performed found: • The council's annual budget setting and monitoring arrangements were appropriate • The council's updated medium-term financial plan identified a budget gap of £85.9 million to 2028/29. • The council has a strong track record of delivering savings and operating

Significant risk	Planned audit response	Outcome of audit work
identified a gap of £62.0 million for the three years to 2027/28. There is a risk that in the longer term, the council is unable to deliver the savings required to balance its budget whilst meeting its strategic priorities or fulfilling its statutory duties.	On-going review of the Council's financial position and delivery of planned savings.	within budget. However, the scope for further savings is narrowing. Conclusion: Given the scale of emerging challenges and the widening budget gap, a strategic shift is needed to ensure continued financial sustainability and service delivery.
New Contracts Following the end of the Council's contracts with both Amey Public Services LLP and Mears Scotland LLP on 30 September 2024 and 30 June 2024 respectively, two new contracts were entered into: - Housing and Corporate Maintenance and Investment Services - Roads and Infrastructure Maintenance and Improvement Services. The council should demonstrate that these represent value for money through the procurement.	The audit team will: Review the assurance the council has on how these contracts demonstrate value for money.	Audit work performed found: - Contract award documents evidence value for money and tools including benchmarking, cost modelling and transparent pricing mechanisms are in place - The contracts show evidence of clear governance, and financial oversight to support ongoing value for money assessment - Performance reporting is still developing due to the early stage of implementation, however the necessary tools are in place to support effective contract management. Conclusion: the council has implemented appropriate arrangements to ensure value for money is achieved and monitored across these two contracts.

Conclusions on wider scope audit

Financial Management

53. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective, apart from the assurance gap which remains for key systems that are externally hosted (see paragraph 74). This judgement is evidenced by the council:

- having a system of internal control in place that is operating effectively.
- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Scrutiny Panel.

The council demonstrated effective financial control operating within budget in 2024/25

54. The council approved its 2024/25 budget in February 2024. The budget was set at £1,016.8 million with net savings of £21.7 million. This was revised to a final budget of £1,024.2 million as a result of additional funding received in year primarily in relation to funding for pay deals, offset by a reallocation of funding from revenue to capital.

55. The council reported a service underspend against budget of £12.2 million at provisional outturn. The main areas of underspend against budget were in relation to Chief Executive & Other Corporate Services and Financing Costs.

56. We reviewed budget monitoring reports throughout the year. The projected surplus increased as the year progressed. We concluded that budget monitoring reports provided an overall picture of the budget position at service level. The reports forecast the outturn position for the year and include good narrative explanations for significant variances against budget. While this allowed senior management and members to

scrutinise the council's finances, reports would benefit from having clearer decisions around targeted reserves levels to support effective decision making around the planned use of underspends at year end.

The level of General Fund reserves continues to increase

57. 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 increased from £342.6 million in 2023/24 to 346.3 million in 2024/25.

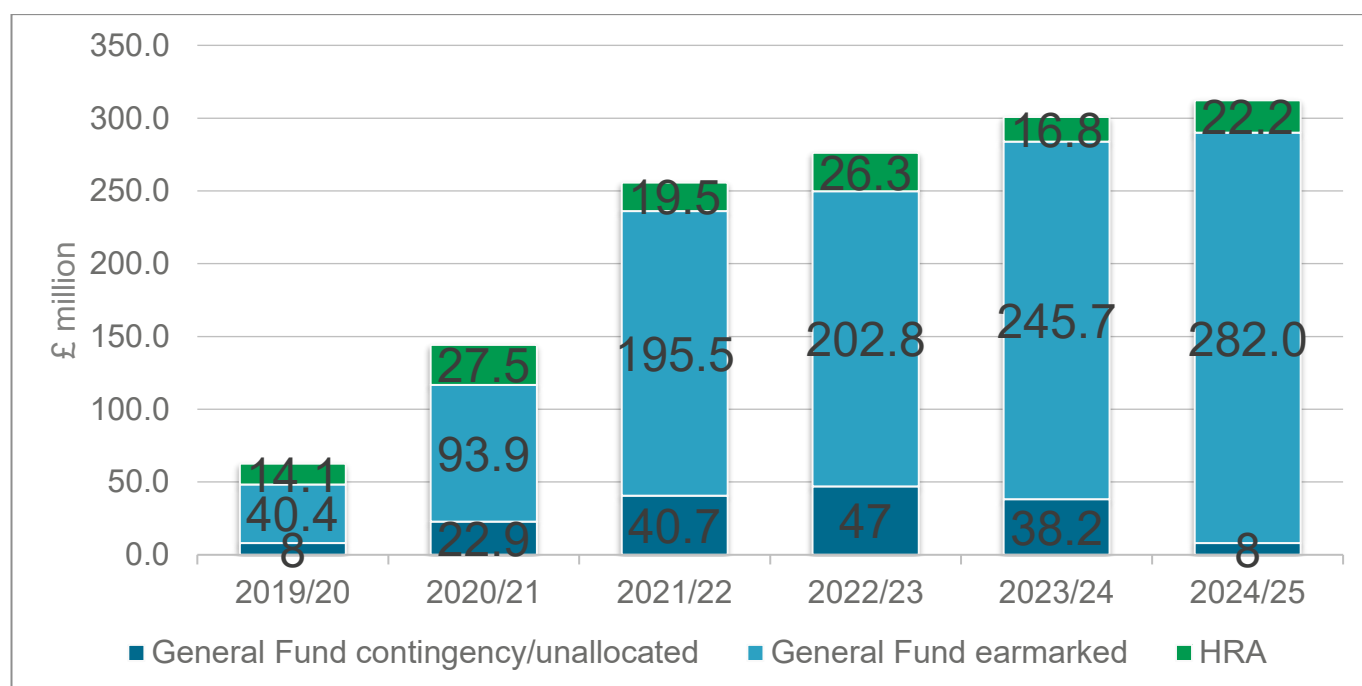
58. The General Fund is the largest usable reserve and is used to support the delivery of services. The total General Fund reserves now stands at £282.0 million:

- £8.0 million earmarked as a contingency fund – held to provide cover for unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows yet this is less than 1% of the council's annual revenue budget
- £12.6 earmarked for a change management fund – used by the council to support future budget pressures, one-off costs of approved savings and transformation initiatives
- £31.9 million earmarked for future budget pressures
- £229.5 million earmarked for specific future spending commitments, such as:
 - £66.3 million held for future contractual obligations for Public Private Partnership schools
 - £44.8 million for strategic capital investment programme
 - £26.6 million for future loans charges linked with the capital investment programme
 - £17.9 million for strategic workforce planning.

59. [Exhibit 6](#) provides an analysis of the General Fund and Housing Revenue Account over the last five years and shows the significant increase in reserves over the last three years due to surpluses.

Exhibit 6

Analysis of General Fund balance



Source: North Lanarkshire Council Annual Accounts 2024/25

60. Over the past five years, the council has consistently reported service-level underspends. This trend has contributed to a steady increase in the council's general fund reserves, which stood at £282.0 million as of 31 March 2025.

61. The council's Reserves Policy requires a contingency fund of £8 million, which is currently in place. In addition, £31.9 million has been earmarked to address future budget pressures, and £12.6 million has been allocated to a change management fund.

62. The Revenue Budget Strategy supports the prudent and sustainable use of reserves to facilitate multi-year budgeting and to help smooth budget gaps. This approach aligns with the Reserves Policy, which sets out that reserves should only be used when there is a clear plan to deliver permanent savings.

63. While the Reserves Policy states that reserve balances should be reviewed annually to ensure they remain adequate and appropriate, it does not specify a target level for reserves. This lack of a defined benchmark makes it difficult to assess whether current reserve levels are optimal and whether effective use of resources can be demonstrated.

Recommendation 3

Strategic use of reserves

The council should undertake a review of its reserves to determine what planned or targeted level of reserves is appropriate. It should also look to define when certain earmarked reserves, such as those earmarked for future budget pressures, would be utilised as it is unclear whether these would be used to address short term pressures or to support investment for long-term sustainability and improved outcomes.

The council has a strong track record of delivering savings but more will need to be done to address the financial challenges

64. The budget for 2024/25 included planned savings of £21.7 million. The council achieved actual savings of £20.2 million. The shortfall of £1.5 million was met through alternative savings.

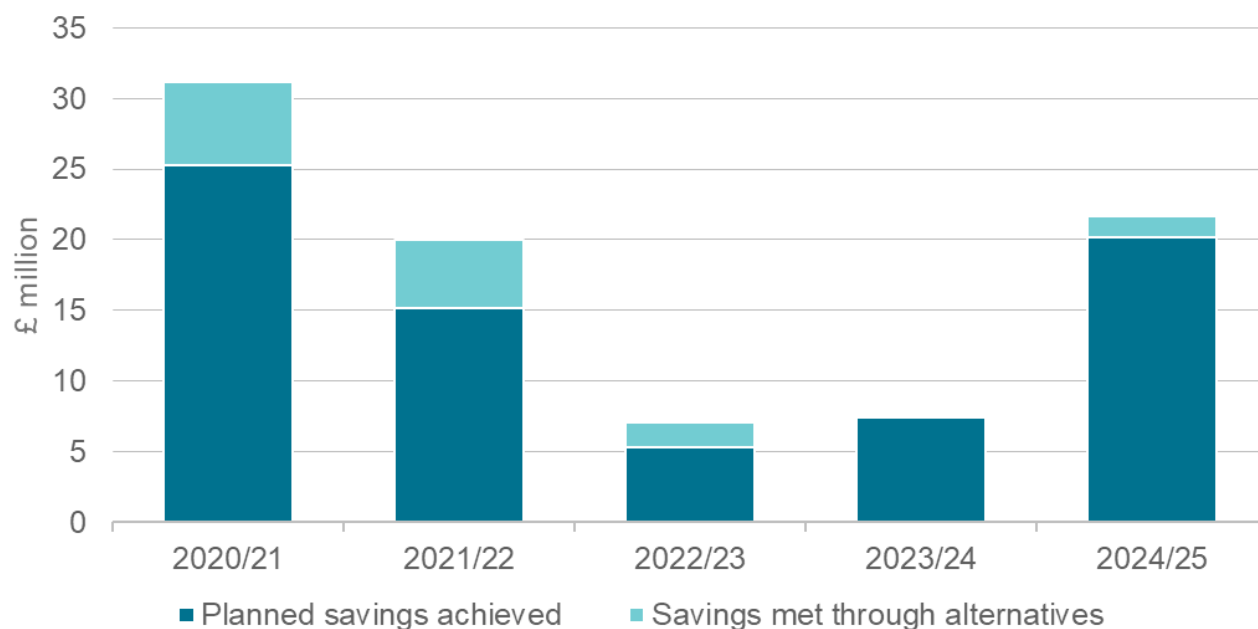
65. Planned savings were achieved through:

- revising service operating models
- reducing levels of service provision
- implementing efficiency measures.

66. The council has a strong record of delivering savings, but the scope for further savings is narrowing, making future financial plans increasingly challenging.

Exhibit 7

Savings – planned savings achieved and those met through alternatives



Source: North Lanarkshire Council's Annual Accounts 2020/21 to 2024/25

The council's capital programme continued to face delivery challenges with capital spend re-profiled

67. The council approved a new five-year General Fund Strategic Capital Investment Programme in March 2024 which covers the period 2024/25 to 2028/29. The approved capital programme as at March 2025 includes investment of £856.0 million planned over the five-year period.

68. The council's Housing Revenue Account's 30-year business plan includes forecast investment of £828 million in housing provision over the same five-year period. This investment together with the General Fund investment, over £1.6 billion capital investment is planned over the next five years.

69. Total capital expenditure in 2024/25 was £216.7 million which is a decrease of £25.5 million since last year.

70. Capital spend was lower than planned due to a number of factors continuing to impact the construction industry including the availability of material and labour in addition to inflationary pressures. As a result, capital spend of c.£15.7 million was re-profiled from 2024/25 to later years of the five-year programme. There is no impact on the overall programme with expenditure expected to be incurred on projects within the five-year programme.

71. The Community Investment Fund is central to the Capital Investment Programme. This Fund launched alongside 'The Plan for North Lanarkshire' in 2019, and its ambition was to generate additional investment of £500 million over ten years for communities. Funding comes from ringfencing elements of future council tax income associated with housing growth and top slicing an element of future council tax increases.

72. In December 2024, the Policy and Strategy Committee approved a revised Year 1 of a new 10-year Community Investment Fund to 2033/34, with additional funding of £300.1 million, taking the total fund to £793.1 million from its inception. To date, the Community Investment Fund has been used for new schools and hubs and investment in leisure, infrastructure and other facilities.

The council has an assurance gap for IT systems that are hosted externally

73. Last year we reported that audit work on the council's general IT environment identified that the council does not receive formal assurances regarding the IT control environment for systems which are externally hosted.

74. Audit work in 2024/25 identified that this extends across the following key financial systems:

- PECOS – purchase to pay system cloud hosted by Elcom
- Pay360 – cash receipting system cloud hosted by The Access Group
- iTrent – payroll system cloud hosted by MidlandsHR (MHR).

75. Management is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the system of internal control or governance arrangements in respect of the use of these systems.

76. We reported last year that work was underway to address this assurance gap through the Performance Optimisation sub-group of the Digital North Lanarkshire Programme of Work Board. The Board has reviewed a draft supplier assessment framework which support changes to the Corporate Procurement Supplier Framework.

77. The assurance gap remained in place for 2024/25 and management should continue develop assurance arrangements to ensure there are appropriate application and hosting controls in place at these third-party providers. See [Appendix 1](#), brought forward recommendation 4.

Financial Sustainability

78. The audit work performed on the arrangements the council has in place for securing financial sustainability found that overall, these were effective and appropriate however, we have recommended the council should review its reserves (see paragraph 63). This judgement is evidenced by the council:

- making appropriate arrangements including the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy and Medium-Term Financial Plan as well as policies and regulations and linking these to its priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves policy in place to manage the use of reserves if the required level of savings cannot be met.

79. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 8](#).

Exhibit 8

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget gap	3.1	11.0	22.6	13.6
Planned to be met via:				
• Savings and flexibilities		0.8	13.1	
• Use of reserves		17.7	3.5	5.6
• Additional council tax / funding	4.6	6.4		15.3
Actual				
Savings delivered	5.3	7.4	20.2	-
Reserves				
Use of / (contribution to) reserves	53.9 / (33.5)	77.2 / (91.3)	41.9 / (32.3)	-
Total usable reserves carried forward	325.4	342.6	346.3	-
General Fund:				
• Earmarked	210.8	253.7	282.0	-
• Uncommitted	39.0	30.2	0	-

Source: The council's annual accounts and Policy and Strategy Committee papers

The council's medium term financial plan provides a framework for managing significant financial challenges, yet the forecasted budget gap continues to widen

80. The General Fund Revenue Budget for 2025/26 of £1,095.2 million was approved by the council in February 2025. This included £5.6 million use of balances to manage, on a one-off basis, the cost pressure from increased employer national insurance contributions in addition to approved savings. Further funding and use of balances for the increased cost of council tax reduction resulted in an overall revenue budget of £1,103.4 million for 2025/26.

81. A total savings target of £28.9 million over the three-year period 2024/25 to 2026/27 was approved by the council following the budget setting process for 2024/25:

- £21.7 million for 2024/25
- £5.9 million for 2025/26
- £1.2 million for 2026/27.

82. The planned savings to address the equivalent £28.9 million budget gap were heavily weighted towards the 2024/25 year. Since an average of £9.6 million of savings were required to be delivered each year, the achievement of these planned savings is being supported by the limited use of non-recurring savings associated with reduced employer pension contributions and the use of earmarked reserves in 2024/25.

83. Employer pension contributions reduced to 6.5% in 2024/25 and 2025/26, with one-off cost reductions of £27.4 million per annum in these two years. A longer-term employer contribution rate of 17.5% from 2026/27 is expected to generate a recurring saving of £3.8 million from that year onwards.

84. The medium-term financial plan is updated annually and forms the basis of the council's savings plans. The plan includes a range of risk-based outcomes which are presented over three scenarios: optimistic, envisaged and pessimistic. An update to the medium-term financial plan for the period 2026/27 to 2030/31 was approved by Committee in June 2025.

85. The council's projections over the five years to 2030/31 forecast an envisaged cumulative budget gap of £136.9 million, as detailed in [Exhibit 9](#). The envisaged cumulative budget gap over the next three years is £85.9 million.

Exhibit 9

Envisaged budget gap 2026/27 to 2030/31

	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Budget gap £'million	£34.6	£25.9	£25.4	£26.1	£24.9	£136.9

Source: North Lanarkshire Council 5 Year Medium Term Financial Plan 2026/27 to 2030/31

86. The council has demonstrated resilience in managing financial pressures, maintaining a stronger reserves position than many other councils. However, given the scale of emerging challenges and the widening budget gap, a strategic shift is now essential to ensure continued financial sustainability and service delivery. See recommendation 1 at

paragraph 65 which recommends the council review its approach to its use of reserves.

Vision, Leadership and Governance

87. 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:

- ‘The Plan for North Lanarkshire’ supported by a Programme of Work clearly sets out its vision, strategy, and priorities and reflects the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.
- having clear financial and performance reporting in place, that is linked to its priorities, and effective scrutiny and challenge of performance provided by the Audit and Scrutiny Panel.
- having effective governance arrangements in place in general, as reflected in the Governance Statement included in the annual report and accounts.

The council has a clear ambitious vision

88. The council uses a place-based approach, working with partners to deliver its strategic vision ‘The Plan for North Lanarkshire’. This sets out a shared ambition to make ‘North Lanarkshire the place to Live, Learn, Work, Invest, and Visit.’ It is supported by a Programme of Work which was refreshed in March 2023, covering the period until 2028, and contains seven strategic priorities:

- Transforming Places – an enhanced programme to accelerate transformation of town centres and communities.
- Invest in North Lanarkshire – accelerated outcome delivery and investment via a more streamlined advisory service and aligned operating model and infrastructure plan.
- Sustainable Futures – focus commitments to Net Zero Carbon and the associated energy solutions and investments required to make it a reality.
- Resilient People – deliver whole family support locally, when families need it, in a way that addresses the impacts of poverty and reduces inequality.

- Brighter Futures – support and improve educational attainment, employment opportunities, entrepreneurship, and volunteering.
- Digital North Lanarkshire – develop a skilled digital workforce, promote an innovative, sustainable culture and be the digital leader for a transformed North Lanarkshire.
- One Service – ensure services are delivered, regardless of owner, in a streamlined, efficient, and supportive model, with the overall vision of inclusive growth and prosperity for all.

89. A single integrated one council Delivery Plan which supports the refreshed Programme of Work was approved at the Policy and Strategy Committee in March 2024.

The council continues to demonstrate a strong commitment to partnership working

90. The Plan for North Lanarkshire sets out a shared ambition and vision for not only the council but also its partners, stakeholders and communities. It was endorsed by the North Lanarkshire Partnership (North Lanarkshire's Community Planning Partnership) in March 2019.

91. A key area of partnership working is through the North Lanarkshire Health and Social Care Partnership (HSCP), which operates under the governance of the North Lanarkshire Integration Joint Board. The council and NHS Lanarkshire jointly plan and deliver integrated health and social care services, with a focus on prevention, early intervention, and supporting people to live independently.

92. Importantly, the council also contributes to hosted service arrangements that span both North and South Lanarkshire Integration Joint Boards. Under these arrangements, certain services – such as out-of-hours care, addiction services, and specialist mental health provision – are hosted by one partnership but delivered across both localities. This model requires close collaboration between North Lanarkshire HSCP and South Lanarkshire HSCP, ensuring consistency, efficiency, and equitable access to services across the wider Lanarkshire area.

Use of Resources to Improve Outcomes

93. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate but have suggested improvements to processes around exit packages paid out to two Chief Officers (see paragraph 100). This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.

- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

The council has appropriate arrangements in place to ensure the new enterprise contracts achieve value for money

94. The council's Enterprise Project is a strategic initiative aimed at transforming the region through integrated investments in property, infrastructure, and community assets.

95. Following the end of the council's contracts with both Amey Public Services LLP and Mears Scotland LLP on 30 September 2024 and 30 June 2024 respectively, two new contracts which support the Enterprise Project were entered into:

- Housing and Corporate Maintenance and Investment Services
- Roads and Infrastructure Maintenance and Improvement Services.

96. Our audit work considered how the council gains assurances that these contracts demonstrate value for money. Our work found that the council has implemented appropriate arrangements to ensure value for money is achieved and monitored.

97. Contract award documents evidence value for money and tools including benchmarking, cost modelling and transparent pricing are in place. The development of spend tracking tools has enhanced the council's ability to monitor expenditure across service areas, allowing for more accurate comparisons against original estimates.

98. The contracts show evidence of clear governance, and financial oversight to support ongoing value for money assessment.

99. While performance reporting is still developing due to the early stage of implementation, the necessary tools and frameworks are in place to support effective contract management.

Early retirements for two Chief Officers were processed in line with policy however there was limited documentation of alternative options considered, and the council should review its policies and procedures to ensure that exit packages of senior officers are subject to the appropriate level of scrutiny

100. During the year the council took the decision to reduce the number of Chief Officers from six to five in the Chief Executive service area. This restructure was incorporated into budget assumptions in the year as part of a range of savings initiatives.

101. On 26 September 2024, the Policy and Strategy Committee approved the restructure of the Chief Executive service area including the removal of the Chief Officer (Business and Digital) position. The functions of the role being allocated to the Chief Officer (Legal and Democratic), Chief Officer (Finance) and Chief Officer (Strategy and Engagement) posts.

102. The Policy and Strategy Committee paper include consideration of the costs and payback period of the voluntary severance. The paper does not appear to have considered the potential further financial implications that may have materialised as a consequence of changes to the role profiles of the remaining Chief Officer positions impacted by the restructure.

103. As noted below, officers were aware that current post holders had applied for release from employment on the basis they would be unable to undertake the position should the Policy and Strategy Committee approve the restructure which may have given rise to additional costs to the council if the early release was subsequently approved. Although it is recognised that the early release would be subject to committee approving the structure changes and a sub-group of the Workforce Change Steering Group approving the retirement in line with delegations to officers. The final notice of termination of employment was reported on 16 December 2024, with the individual's last day of employment being 11 April 2025.

104. In August 2024, the Chief Officer (Legal and Democratic) and Chief Officer (Finance) exercised their right to request release from employment. This was on the basis that both employees' posts would be affected by the proposed restructure of the Chief Executive service area. Under the local government pension scheme - discretionary provisions, the applications for early retirement were approved for submission to a sub-group of the Workforce Change Steering Group. The sub-group consisted of the Depute Chief Executive, Chief Officer (People Resources), a Business Finance Manager and HR Business Partnership Manager.

105. In October 2024, the sub-group approved the application of early retirement on efficiency grounds. The Group noted: *Both employee's posts have been affected by the agreed Chief Executive restructure and both employees individually and separately requested consideration to leave the Council on efficiency of the service grounds due to their personal circumstances being such that they could not fulfil the duties of the proposed reconfigured posts. The service fully supports this request and the associated timing and cost.*

106. The Chief Officer (Legal and Democratic) and Chief Officer (Finance) left the organisation in April 2025 receiving severance package of £0.845 million, including strain on funds cost of £0.471 million.

107. In line with the council's Scheme of Delegation to Officers, the decisions to approve early retirement and voluntary severance are

delegated to senior officers. The severance was approved in October 2024, and we are satisfied the decision was made independently from the officers applying for severance.

108. In accordance with the Local Government Pension Scheme Regulations, early retirement on efficiency grounds should only be awarded on exceptional circumstances. The council's own procedures require consideration of the basis for early retirement and whether alternatives have been considered including: performance management, re-training or redeployment; mentoring, transfer or demotion.

109. From our review of the documentation to support the early retirement decisions, it is unclear as to how the council had considered alternative options to early retirement such as retraining or redeployment.

110. While the financial implications of the Exit Packages were considered by the group, it is unclear how the cost information is considered in demonstrating value for money to the council. From discussions with officers, we understand that while these alternatives were considered, they would have not been suitable and therefore marked as “not applicable”.

111. While the Exit packages were made in accordance with the council's policies and procedures, including appropriate sign off from the Chief Executive, there is an opportunity to enhance the documentation and supporting evidence on which decisions are made.

112. The council had a total of 134 exit packages in year at a cost of £8.9 million (2023/24: 262 exit packages at a cost of £17.5 million). The volume of exit packages can vary year on year reflecting changing organisational needs as well as individual circumstance such as ill health.

113. As highlighted by the Accounts Commission, it is important that decisions made about restructuring, including exit packages for senior staff, are undertaken in the most transparent manner with clear governance arrangements that reflect the principles of public life in Scotland. In addition to demonstrating high standards of governance, councils also need to demonstrate that decisions about restructuring and exit packages are value for money for the public purse. While the council processed the early retirements in line with policy, there was opportunity to consider the wider implications and risks of decisions around restructure to elected members. In addition, we recommend that exit packages of senior officers should be subject to elected member oversight and approval through a relevant committee.

Recommendation 4

Exit packages

There are opportunities for the council to enhance the standard of documentation of early retirement decisions. The council should also review its policies and procedures to ensure that exit packages of senior officers are subject to additional scrutiny.

The council has demonstrated resilience in its housing system, particularly in its management of temporary accommodation

114. North Lanarkshire Council is Scotland's biggest council landlord with 36,500 properties. The council has faced many of the same acute pressures as other councils, yet it has not declared a housing emergency. Through long-term investment, strategic planning and proactive homelessness prevention, the council has been able to demonstrate resilience in its housing system.

115. The council has consistently invested in its housing stock, spending approximately £65 million annually for maintenance and upgrades. In 2024/25, it delivered 278 new build homes, brought 92 homes into council use through the Open Market Purchase Scheme and brought a further 23 long term empty properties into use through the council's empty homes initiatives. In addition, £55 million was invested in improving existing homes with a further £4 million spent on the reprovisioning programme enabling future redevelopment. This sustained investment has helped maintain a robust supply of quality housing, reducing reliance on temporary accommodation.

116. The council's Rapid Rehousing Transition Plan (RRTP) has helped minimise time spent in temporary housing. Initiatives such as Homes First, which supports individuals with complex needs, have achieved a 100% tenancy sustainment rate, demonstrating the effectiveness of tailored support in preventing repeat homelessness.

117. The council approved its Temporary Accommodation Strategy (2024-2029) in May 2024. This strategy aligns with national objectives and prioritises trauma-informed, person-centred service delivery. The strategy focuses on reducing the duration of temporary stays and ensures timely transitions to permanent housing, contributing to lower overall demand for temporary units.

Best Value audit

Conclusion

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

The Management Report on themes prescribed by the Accounts Commission reported the council has made a strategic decision to integrate transformation activity across its Programme of Work, giving services direct responsibility for delivering change. There are effective governance arrangements in place to oversee its transformation work. The council recognises that there needs to be a clear link between it transforming its services and addressing its budget gap by delivering transformation in a financially sustainable way.

Areas for improvement in the Management Report include making the council's performance against its 28 health check indicators more accessible to the public and how it tracks the transformation benefits at a project level.

The council has reported a mixed picture of performance with a trend of improvement in several areas whilst challenges remain.

The council complied with Statutory performance information (SPI) Direction, but there continues to be opportunity to enhance performance reporting.

Audit approach to Best Value

118. 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.

119. 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 the subject of 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

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

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

- the council having well established and effective governance arrangements in place, with the Best Value being a key aspect of the governance arrangements
- the arrangements the council has in place around the four wider scope audit areas, which are effective and appropriate, contribute to it being able to secure Best Value
- progress the council is making to embed sustainability into corporate and operational plans and enhance reporting arrangements around sustainability.

121. The council is part of the third year of the programme for Controller of Audit reports to the Accounts Commission on the council's performance in meeting its Best Value duties. The Controller of Audit report is due to be taken to the Accounts Commission in December 2025 and thereafter be available on the Audit Scotland website.

122. North Lanarkshire Council received a full Best Value Assurance report in May 2019. As part of our annual work programme, we followed up on agreed recommendations from that report and in 2022/23 we were able to report that all recommendations were now closed.

Themes prescribed by the Accounts Commission

123. 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 the subject of 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.

- Transformation is about radically changing how councils operate and deliver services to achieve planned outcomes in a financially sustainable way. North Lanarkshire Council has made a strategic decision to integrate transformation activity across its Programme of

Work, giving services direct responsibility for delivering change. The Programme of Work and the council's accompanying Delivery Plan set out how it will deliver The Plan for North Lanarkshire, the council's transformative, place-based strategic plan that focuses on improving outcomes and the lives of its people and communities by transforming the area's physical environment, bringing about economic, social and health benefits. The Delivery Plan includes almost 250 projects or activities including how it is transforming eight of its town centres, plans to deliver over 6,000 new council homes and the establishment of Community Hubs.

- We reported in our 2023/24 Annual Audit Report that the council has a track record of delivering savings but given the scale of savings already delivered, its future financial plans are becoming increasingly challenging. In 2025/26, the council's bridged its budget gap of over £13 million by increasing council tax. Over the next five years its budget gap is predicted to be nearly £137 million. The council recognises that there needs to be a clear link between it transforming its services and addressing its budget gap by delivering transformation in a financially sustainable way.
- The council has demonstrated its commitment to transformation through an innovative long-term fund to support new capital expenditure in its communities. The Community Investment Fund aims to generate future budget savings and support economic regeneration activity throughout North Lanarkshire. An estimate of resources available from the Fund between 2019/20 and 2033/34 is £793 million.
- The council has effective governance arrangements in place to oversee its transformation work. Delivery of the Programme of Work is monitored by each Strategic Board in the first instance with strategic oversight thereafter by the Corporate Management Team. Elected members receive comprehensive updates on progress with the Programme of Work through the council's Policy and Strategy Committee and service committees.
- The council works with partners to deliver a number of its transformation projects across North Lanarkshire. It has consulted with its communities and vulnerable groups on transformation activities and there is evidence changes have been made to services as a result of this work. The council carries out Equality Impact Assessments for its major programmes of work, including transformation themes, and there are examples of comprehensive community engagement taking place in relation to these.
- The council uses 28 outcome measures to monitor the impact of The Plan for North Lanarkshire as a whole and to determine whether places and services are improving. As transformation is embedded, the direction of travel of these indicators reflects the

success of the council's transformation activities. At March 2025, 50 per cent of the indicators had improved over the period of The Plan for North Lanarkshire. A summary of the council's performance against its 28 health check indicators could be made more accessible to the public.

- While the council monitors the impact of The Plan for North Lanarkshire as a whole using outcome measures, it is important that it also demonstrates the extent to which project benefits targeted through the council's investment in transformation are realised. The council does not currently track or report transformation benefits at project level. It is in the process of developing a benefits realisation tool that will measure both the financial and non-financial benefits of the projects and activities in its Programme of Work.

The council complied with Statutory Performance Information (SPI) Direction, but there continues to be opportunity to enhance performance reporting

124. The Accounts Commission issued a [Statutory Performance Information Direction](#) which requires the council 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.

125. Auditors have a statutory duty to satisfy themselves that the council 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.

126. Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded that overall, the arrangements in place complied with the Direction.

127. Last year we made a recommendation that the council could further improve its public performance reporting to provide its citizens and communities with a clear summary of performance. Furthermore, our work on Best Value work on transformation also made a recommendation on improving public reporting of progress against the 28 Health Check Indicators, see [Appendix 1](#) which includes all recommendations. The council plans to formally review and re-develop public performance reporting arrangements during 2025/26.

128. The Accounts Commission also requires auditors to report a summary of the information on service performance reported by the council. The council measures the impact of how its activities improve

services and outcomes for people and communities of North Lanarkshire through its Strategic Performance Framework.

129. The reporting of the Local Government Benchmarking Framework (LGBF) measures is integrated within the Strategic Performance Framework. This framework aligns with the council's long-term vision in The Plan for North Lanarkshire and outlines performance measurement at three levels to assess the impact of council activities on service improvement and outcomes for residents.

130. These three performance measurement levels are:

- the North Lanarkshire context (comprising a suite of 28 Health Check Indicators);
- improving outcomes (comprising a suite of indicators and information to enable assessment of progress towards outlining priorities and ambitions - this will include outcomes, targets and areas for improvement);
- day-to-day operations (comprising performance indicators, targets and standards).

131. A Performance Reporting Schedule supports the Strategic Performance Framework and is presented on a quarterly basis to the Audit and Scrutiny Panel. A summary of the council's various performance reports submitted to council committees in the past 'quarterly cycle' is presented.

132. The management commentary in the annual accounts continues to report a mixed picture of performance, with several areas demonstrating positive trends in performance whilst clear challenges remain.

133. At March 2025, 50 per cent of the indicators had improved over the period of The Plan for North Lanarkshire.

134. There remains growth in the local economy and gross weekly pay for local residents continues to be higher than the national average. Waste recycling rates are the highest they have been and are now above the national average.

135. Performance remains challenging in a number of areas, including:

- there has been an increase in the proportion of children in poverty over the period of The Plan for North Lanarkshire which remains higher than the national average and there is disparity across North Lanarkshire's communities.
- there has been an increase in recorded crime with local rates reaching +4% which is higher than the national average of +3.6%.

- the proportion of the working age population who are economically active remains below The Plan for North Lanarkshire baseline.
- the position for latest business survival rates in North Lanarkshire remains varied with a slight increase in the previous year.

Progress against previous Best Value findings and recommendations

136. 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.

137. Details of previous recommendations 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. Actions are in place to address previous recommendations and those outstanding are not yet due.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Fixed asset register It is not possible to directly agree the depreciation figures reported in the financial statements to those recorded in the fixed asset register for each asset class. This has also been the case in prior years and is due to inherent limitations in the functionality and structure of the fixed asset register. Risk – The council's underlying records do not support the figures in the accounts.	The council should undertake a review of the fixed asset register to assess its capability to support accurate reporting.	Accepted The Council fully reviews and reconciles all fixed asset transactions within the overall Fixed Asset Register to the financial ledger and financial statements to ensure accurate reporting. However, the Council will review the specific summary FAR extract report and reporting tool mechanics relating to depreciation charged to enhance reconciliations processes. Responsible Officer: Chief Officer (Finance and Technology) Agreed date: June 2026
2. Common Good assets Common Good assets of up to £12.7 million are held on the council's balance sheet. Risk – Assets on the balance sheet continue to be overstated.	The council should continue to review requirements to disclose Common Good assets separately from council assets.	Accepted The Council agrees to continue to review the disclosure requirements in respect of Common Good assets Responsible Officer: Chief Officer Finance & Technology Agreed date: June 2026
3. Strategic use of reserves The council's unearmarked contingency reserves for unforeseen or unplanned	The council should undertake a review of its reserves to determine what the planned or targeted level of reserves	Accepted The Council will undertake a review of reserves to determine a planned/ target

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
costs is £8 million, less than 1% of the council's annual budget. While the council has established an earmarked reserve for budget pressures it is unclear when these would be utilised and what the optimal or targeted level for this reserve would be. Risk – There is a risk that there is not a clear understanding around the purpose of reserve and how these should be effectively utilised by the council.	is appropriate. It should also look to define when certain earmarked reserves such as those earmarked for future budget pressures would be utilised as it is unclear whether these would be used to address short term pressures or to support investment to support long-term sustainability and improved outcomes.	level appropriate and timing of use. Responsible Officer: Chief Officer (Finance and Technology) Agreed date: June 2026
4. Exit packages During the year the council reduced its Chief Executive Chief Officers from six to five as part of a savings initiative. Audit work found that the early retirements for two Chief Officers were processed in line with policy however there was limited documentation of alternative options considered. Risk – There is a risk that the severance payments do not represent value for money.	There are opportunities for the council to enhance the standard of documentation of early retirement decisions. The council should also review its policies and procedures to ensure that exit packages of senior officers are subject to additional scrutiny.	Accepted The Council intends to undertake a wider review of its democratic, committee and decision-making governance procedures with a report due to be presented to Policy and Strategy Committee on 25 September 2025. Phase 4 of this review includes a review and update of the Scheme of Administration and Delegation, which will now incorporate consideration of the governance around early release of senior staff. Responsible officer: Chief Officer (Legal and Democratic) Agreed date: December 2026

2024/25 recommendations from the BV thematic report

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Benefits realisation The council is developing a benefits realisation tool. It does not currently track or report transformation benefits at project level.	The council should prioritise completion of its benefits realisation framework and incorporate reporting on both financial and non-financial benefits into regular monitoring reports. Given the financial challenges the council is facing there is a need to increasingly monitor and track cost and benefits of transformation projects. This will help inform officers and members of the extent to which transformation projects are delivering their intended benefits.	Following the Framework to the One Service Board in March 2025, arrangements are being made to roll this out to all of the other Programme of Work Boards. Responsible officer: Chief Officer (Strategy and Engagement) Agreed date: June 2026
2. Improving public reporting of progress against the 28 Health Check Indicators The council uses 28 indicators to monitor the impact of <i>The Plan for North Lanarkshire</i> as a whole and to determine whether places and services are improving. A summary of the council's performance against its 28 health check indicators is not easily accessible to the public. This makes it difficult for the public to find out and understand how the council is performing or what impact it is having locally.	The council should ensure that the reporting of progress against its 28 Health Check Indicators is more accessible to the public.	There is a dedicated section within the Programme of Work pages on the website for "Performance", however this is under re development to ensure it captures, and provides access to, all relevant and already existing council and Programme of Work performance reporting in the one place. This will include regular updates on the 28 health check indicators in a way that is meaningful to the reader. Responsible Officer: Chief Officer (Strategy and Engagement) Agreed date: June 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Replacement of assets As part of our audit work on additions in year of property, plant and equipment, we identified two items from a sample of 11 where capital expenditure was incurred for replacements or repair of existing assets. Risk – There is a risk that assets could be overstated by not removing the replaced component when capital expenditure is incurred on a specific asset.	Management should establish a process to ensure assets replaced are appropriately removed from the asset register and accounted for as a disposal appropriately. Agreed action: Partially accepted In the absence of componentisation, it is unclear as to how we can put in place a process to remove the value of elements of assets which have been replaced. However we will commit to a review of expectations around componentisation with a view to future discussions with External Audit. Original responsible officer: Chief Officer (Finance) Original agreed date: June 2025	Implemented Services are now requested to identify and report any works that are/could be replacement of major components during the capitalisation process. Management ensured that assets with significant subsequent spend are included as part of the revaluation exercise.
2. Statutory override The statutory override relating to valuation of infrastructure assets is due to end for the 2024/25 financial statements. Risk – A permanent solution has not yet been agreed and CIPFA believe that this will continue to be an area of enhanced scrutiny for local government auditors.	The council should work with CIPFA and the wider local government sector to arrive at an appropriate solution for the implementation of accounting for infrastructure assets. Agreed action: Accepted The Council will work with CIPFA and the wider Local Government sector as appropriate to inform a decision on the accounting treatment for infrastructure assets. Original responsible officer: Chief Officer (Finance)	Work in progress The statutory override has been extended until 2026/27.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Original agreed date: Ongoing	
3. Reinforced autoclave aerated concrete (RAAC) For those properties where RAAC was confirmed, the council's valuer included them as nil value in lieu of structural surveys and remedial costs. Accounting Standards require a formal estimate of the recoverable amount of the asset. Risk – There is a risk that properties containing RAAC are not held at the correct value in the accounts.	For those properties where RAAC has been identified, the council should determine a more accurate measure of the level of impairment in line with the requirements of accounting standards. Agreed action: Accepted Further engagement with the Council's valuers is required to determine an appropriate methodology, subject to full investigation being carried out to determine the extent of costs/remedial works required. Original responsible officer: Chief Officer (Finance) and Chief Officer (Assets and Procurement) Original agreed date: June 2025	Implemented Audit work confirmed that the Valuers considered the remediation costs of RAAC as part of their valuation.
4. Continuity and security of IT operations Business and Digital support services to develop appropriate ICT Disaster Recovery arrangements. Disaster recovery testing varies across systems and services. The Corporate Business Continuity Plan has not yet been tested. The council does not receive formal assurances regarding the IT control environment for systems which are externally hosted. Risk – There is a risk that the council does not have the	The council should ensure there is appropriate oversight of its continuity and security of IT operations and ensure the necessary assurances are obtained for externally hosted systems. Agreed action: Accepted Services will continue to own and manage their Business Continuity arrangements – with support and guidance from the Resilience Planning Team. Business Continuity testing framework has been implemented. It is recommended that Services	Work in progress

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
required assurance over its IT operations.	test their plans annually and a corporate test will be arranged every 3 years. Original responsible officer: Depute Chief Executive Original agreed date: November 2026 Oversight of IT security and IT Disaster Recovery will continue to be managed through established corporate working groups and Service Management Teams. Development of assurances on externally hosted systems will be monitored through the established arrangements of the Digital North Lanarkshire Programme of Work. Original responsible officer: Chief Officer (Business and Digital) Original agreed date: April 2025	
5. Public performance reporting The council does not publish a summary of its performance which is easy for its citizens and communities to determine how well its services are performing and what action is needed to improve service performance. Risk – North Lanarkshire's citizens and communities cannot determine how the council is performing.	The council should improve its public performance reporting to provide its citizens and communities with a clear summary of performance. Agreed action: Accepted Following various programme of work reports to each committee cycle throughout the year, regular news articles and updates on delivery and performance are reported through the council's website. With the Programme of Work to 2028 and its associated governance arrangements well established, work will be	Work in progress Agreed date not yet due

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	undertaken during 2025/26 to formally review and redevelop public performance reporting arrangements. Original responsible officer: Chief Officer (Business and Digital)/ Chief Officer (Strategy and Engagement) Original agreed date: March 2026	
6. Land and buildings valuations We have previously reported how the council values its land and buildings, with the exception of council dwellings, at 1 April and not at the 31 March year end. Given recent significant inflationary pressures on build cost rates there is an increasing risk of a material movement between the date of revaluation and 31 March. In 2023/24 the council worked with its valuers to revise its approach to the valuation of land and buildings. The Council now values a 20 per cent representative sample of asset classes each year with a valuation date of 31 January 2024. Risk – There is a risk that the current value of land and buildings does not reflect carrying value at 31 March.	The council should consider its approach to the valuation of land and buildings going forward to ensure it is appropriate to assess whether asset values have moved materially in year and as at 31 March year end. Agreed action: Accepted The council will continue to consider its approach to the valuation of land and buildings taking into account the requirements of the Code of Practice on Local Authority Accounting, alongside the practicalities and impact on the timely preparation of the annual accounts that any potential changes might have. Original responsible officer: Chief Officer (Finance) Original agreed date: Ongoing	Work in progress The Finance Team has arrangements in collaboration with the external valuers to make an assessment of any material change in value between 1 February and 31 March to ensure that the carrying value of land & buildings is accurate and is not materially mis-stated. Recent history has shown there has not been any material movement to the carrying value. This will also be considered in light of potential future changes to accounting requirements around valuations of non-current assets.
7. Capital processes In 2022/23 we identified a number of issues relating to capital processes. These	The council should review a number of its capital processes to ensure the value	Superseded In 2023/24 we reported that the first two points were now implemented and the third

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
included assets missing from the revaluation exercise. The process to identify impairments should be more robust to ensure all assets are fully considered. In addition, the way in which assets are held on the fixed asset register should be reviewed to ensure compliance with Code requirements in respect of componentisation. Risk – There is a risk that assets are not held at the correct value in the accounts.	of assets is correctly held in the accounts, including: • The council should review the revaluations provided by its valuers to ensure all assets have been included. • The council should review its capital impairment process to ensure it is robust enough to identify potential indicators of impairment across all assets. • The council should also consider how assets are held on its fixed asset register to ensure compliance with the componentisation requirements of the Code. Agreed action: Accepted Agreed action – The Council will: • review the revaluation practices to ensure all relevant assets are incorporated • review the process of identifying impairments to ensure all assets are considered • review and consider how assets are held on its fixed asset register to ensure full compliance with the componentisation aspects of the code. Original responsible officer: Chief Officer (Finance) Original agreed date: June 2024	has been superseded by replacement of assets recommendation above.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
8. Significant trading operation Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations have a prescribed objective to break even over a rolling three year period. In 2022/23 and 2023/24 we have reported that the council's trading operation reported a deficit over the three year period.	The council should review the trading operation to examine the cost effectiveness of the service provided to ensure that it continues to represent best value for the council. Agreed action – As currently presented the Trading Account shows a rolling three year deficit. However, this performance incorporates non-cash adjustments for Employee Benefits. Following the same accounting treatment as Council, these costs would be reversed back out resulting in a cumulative three year surplus being reported, demonstrating continued value for money in the operation of the Council's Trading Account. The Council will seek to amend the presentation of the Trading Account note for 2023/24 annual accounts to reflect the cash and non-cash elements of the Trading Account operations. Original responsible officer: Chief Officer (Finance) Original agreed date: June 2024	Implemented The STO continues to report a deficit over the three year period to 31 March 2025. The council's view is that the STO represents best value as a surplus of £0.03 million is reported once accounting for statutory adjustments for IAS 19 are removed.

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
1. Acting on staff engagement feedback The council engages with staff and trade unions via staff surveys, roadshows, and trade union forums. However, it is not always clear how the council utilises feedback in to council decisions and policies.	As the council develops its staff engagement approach, it should ensure that as well as providing information to staff on council decisions, it also incorporates the views of staff and trade unions to support transparent decision making, and evidence how it is acting on findings from the Summer 2024 Roadshow sessions. Original responsible officer: Fiona Whittaker, Chief Officer (People Resources) Original agreed date: December 2025	Work in progress Action not yet due.
2. Hybrid working policy Flexible and hybrid working policies are more structured in North Lanarkshire, relative to other councils and organisations. This may make the council a less attractive place to work, in the context of ongoing recruitment challenges.	The council should continue to monitor the impact of its hybrid working approach. It should continually assess the impact of increasing the number of office days, in terms of performance, staff wellbeing, and recruitment and retention. Original responsible officer: Fiona Whittaker, Chief Officer (People Resources) Original agreed date: January 2026	Work in progress Action not yet due.
3. Temporary workforce The council does not report data on temporary, including agency staff, although it is held by services.	The council should include data reporting on its temporary workforce as part of published workforce data, and once available it should include data on agency workers.	Work in progress Action not yet due.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
	Original responsible officer: Fiona Whittaker, Chief Officer (People Resources) Original agreed date: December 2025	

Appendix 2

Summary of corrected misstatements

We report all corrected misstatements in the annual accounts that are individually greater than our reporting threshold of £1.5 million.

The table below summarises misstatements that were noted during our audit and were corrected in the financial statements.

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Braidhurst development adjustments for NLC as parent - recognising capital income and assets under construction					
	Taxation and non-specific grant income		3,314		
	Assets Under Construction			3,839	
	Short term creditors				525
2. As outlined in Exhibit 2, adjustments were made on transition to IFRS 16					
	Right of use asset			3,721	
	Right of use liability				3,640
	Prepayments				23
	Operating lease payments removal		2,026		
	Lease interest expense	213			

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)	Balance Sheet
	Capital adjustment account		58
	Depreciation vs Principal adjustment	1,813	
Net impact on financial statements		3,314	3,314
Audit adjustments in disclosures			
1. Presentation error in balance of £411.503 million between HRA and GF reserves on the Movement in Reserves Statement			

Appendix 3

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£000	£000	£000	£000
1. As outlined in Exhibit 2, there is a classification error between vehicles, plant and equipment to land and buildings					
	Vehicles, plant and equipment				5,636
	Land and buildings			5,636	
2. As outlined in Exhibit 2, Common good assets are currently held on the council balance sheet and this is the maximum the assets could be overstated by ¹					
	Property, plant and equipment				12,736
	Expenditure	12,736			

¹An adjustment would also be needed for the recognition of assets in the Common Good and therefore no impact on overall group position.

Appendix 4

Supporting national and performance audit reports

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

North Lanarkshire Council

2024/25 Annual Audit Report



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