

South Lanarkshire Council

2024/25 Annual Audit Report



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

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Accessibility

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Key messages

Audit of the annual accounts

- 1 All audit opinions state that the annual accounts of South Lanarkshire Council, its group and the section 106 charities administered by the council were free from material misstatement for the year ended 31 March 2025.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Wider scope audit

- 3 The council continues to operate within its annual budget. While facing financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the council continues to demonstrate sound financial management maintaining general fund reserves in line with the long-term Revenue Financial Strategy.
- 4 The council implemented a new financial system at the start of the 2024/25, Oracle's cloud-based Human Resources (HR) and Finance solution. This was a significant change programme with a focus on delivering significant improvements to processes, workflow, support agile working, employee self-service and engagement as well as greater levels of automation and improved management information.
- 5 The council's revenue budget strategy has reported a projected budget surplus for 2025/26 however there remains a budget gap over the medium term. The council continues to undertake scenario planning and transformation reviews to support medium and long term financial plans.
- 6 The council has effective budget monitoring arrangements. Given the financial pressures, the council is continuing to assess its reserves strategy and review how it assesses, monitors and reports on its financial resilience.
- 7 The council has sound governance arrangements in place for how it conducts business. To ensure the Risk and Audit Scrutiny Committee is effective in its

role an annual review and assessment should be undertaken with the results captured within an annual report.

Best Value audit

- 8 The council has a Transformational Change Programme in place that is clearly linked to its updated Council Plan, financial plans and digital strategy.
 - 9 The council currently focuses on establishing the financial benefits of its transformational activities but does not routinely separately track or report on the impact on service quality or outcomes for service users in relation to these transformational activities.
 - 10 The council has effective and appropriate arrangements in place for securing Best Value.
 - 11 Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate.
 - 12 The council has an effective performance management framework in place.
 - 13 The council reviews and reports its performance using a number of measures that are clearly aligned to the priorities and outcomes set out in the Council Plan.
 - 14 The council has an improvement action plan for all indicators, including those reported as being below the Scottish average.
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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 South 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 South 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 and the audit team are independent of the council and its group 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, the Management Commentary, and the Annual Governance Statement, and 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, Whole of Government Accounts return, and summary financial statements.
- 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 South Lanarkshire 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 Risk, Audit and Scrutiny Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

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

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

Close down procedures should be reviewed by finance to ensure supporting working papers are available in line with the year-end timetable.

Audit opinions on the annual accounts are free from material misstatement

12. The council approved the annual accounts for South Lanarkshire Council and its group for the year ended 31 March 2025 by the Risk and Audit Scrutiny Committee on 30 September 2025. In addition to the council the group accounts consolidate the financial results of the council and its subsidiaries and its investments in associates and interests in joint ventures. These include: Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee, Lanarkshire Valuation Joint Board, South Lanarkshire Integration Joint Board, South Lanarkshire Leisure and Culture Limited, Routes to Work South, Clyde Valley Learning and Development Joint Committee and the Common Good Fund.

13. 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.

Close down procedures should be reviewed to by finance to ensure supporting working papers are available in line with the year-end timetable

14. The unaudited annual accounts were received on 26 June 2025 and in accordance with the agreed audit timetable. We received good support



during the course of the financial audit from the core finance team. There were delays in the provision of a number of underlying working papers to the audit team to support the financial statements, which was outwith the control of the core finance team.

15. Finance Strategy issue a year end timetable to relevant officers across the council containing year end guidance procedures and timetables for completion of tasks and submission of information for the preparation of the draft annual report and accounts. Section A6 states "It is essential that adequate working papers are available as soon as the Accounts are presented for audit."

Recommendation 1

Staff should be reminded of the year end timetable and the importance that working papers for external audit are provided to the Finance Strategy Team in line with the year-end timetable deadlines to ensure these are available with the unaudited accounts.

Audit Fee

16. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £633,450. 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

17. 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.

18. 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.

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

Exhibit 1

2024/25 Materiality levels for South Lanarkshire Council and its group

Materiality	The council	Group
Materiality – set at 2 per cent of gross expenditure	£27.145 million	£27.500 million
Performance materiality – set at 75 per cent 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.	£20.350 million	£20.600 million
Reporting threshold – set at 5 per cent of materiality.	£1.350 million	£1.370 million

Source: Audit Scotland

Significant findings and key audit matters

20. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the council is the Risk, Audit and Scrutiny Committee.

21. 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.

22. 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.

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

Exhibit 2

Significant findings and key audit matters

Significant findings and key audit matters	Outcome
1. IFRS 16 - Leases Effective from 1 April 2024, IFRS 16 requires Local Authorities to recognise a Right of Use (RoU) asset and corresponding lease liability for all lease types (property, land, vehicles, plant, equipment). On transition, leases are accounted for retrospectively, with the cumulative impact recognised at 1 April 2024. Following the implementation of IFRS 16 Leases from 1 April 2024, several required disclosures were not fully presented in the unaudited annual accounts including: • Disclosures required on initial application of IFRS 16 on 1 April 2024. • Exemptions applied under IFRS 16 and the value of these in relation to short-term and low value leases. • The value of liabilities resulting from service concession arrangements at each Balance Sheet date, and an analysis of the movement in those values. • Peppercorn leases were not disclosed in the unaudited annual accounts. No monetary values or narrative explanation were provided, despite their inclusion under IFRS 16.	The council has now reflected all the required IFRS 16 disclosures within the revised annual accounts.

Significant findings and key audit matters	Outcome
2. Group Accounts: Prior year restatement The 2023/24 South Lanarkshire Council group accounts were prepared using the unaudited South Lanarkshire Leisure and Culture Limited accounts (SLLC). The SLLC unaudited accounts disclosed a net pension asset of £76.959 million (£78.439 million asset for the funded obligations and £1.480 million liability for unfunded obligations). The South Lanarkshire Council annual accounts were approved on 27 September 2024. The audited SLLC accounts, were signed on 13 November 2024 and included a late adjustment, with the application of a pension asset ceiling of £78.439 million, reducing the pension asset to nil, resulting in the audited accounts disclosing a pension liability of £1.480 million for the unfunded obligation.	The council has updated the annual accounts to reflect the adjustment as a prior year restatement.

Source: Audit Scotland

Qualitative aspects of accounting practices

24. 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

25. 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

26. 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.

Disclosures in the financial statements

27. 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

28. South Lanarkshire Council is part of a group and prepares group financial statements. The group is made up of nine components, including South Lanarkshire Council which is the parent of the group.

29. 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 financial audit questionnaires 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	Component Auditor and audit work required	Summary of audit work performed
South Lanarkshire Council	Audit Scotland Fully scope audit of the council's annual accounts.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment. 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.
South Lanarkshire Leisure and Culture Limited	Azets Review accounting treatment	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.

Group component	Component Auditor and audit work required	Summary of audit work performed
Routes to Work South	McDaid & Partners None	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.
South Lanarkshire Integration Joint Board	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Lanarkshire Valuation Joint Board	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Clyde Valley Learning and Development Joint Committee	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Strathclyde Concessionary Travel Scheme Joint Committee	Audit Scotland None	Accounted for on equity basis. Audit team confirmed correct accounting treatment.
Strathclyde Partnership for Transport	Audit Scotland Issue risk assessment questionnaire and undertake analytical procedures.	Accounted for on equity basis. Audit team confirmed correct accounting treatment, reviewed risk assessment questionnaire and completed analytical procedures.
Common Good Fund	Audit Scotland Review accounting treatment	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment.

Source: Audit Scotland

Significant matters discussed with management

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

Audit adjustments

31. 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 £1.350 million are outlined in [Exhibit 4](#).

Exhibit 4**Audit adjustments**

Details	Financial statements lines impacted	Group Comprehensive Income and Expenditure Statement (CIES)		Group Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. Component balances omitted in consolidation					
Cost of services		1,502			
Provision of services		304			
Other comprehensive income			2,766		
Short-Term creditor				346	
2. Component audit adjustments					
Cost of services			700		
Short-term debtors				701	
Short-term creditors				89	
Cash and cash equivalents					90
3. Classification of pension liability					
Other long-term liabilities (PPP/finance lease)				1,307	
Other long-term liabilities (Pension)					1,307
Total adjustments		1,806	3,466	2,443	1,397
Net impact on financial statements*		1,660			1,046

*The net difference of £614,000 (£1,660 - £1,046) represents the initial difference between the group primary statements within the unaudited annual accounts which has been corrected within the audited annual accounts.

Details	Financial statements lines impacted	Group Comprehensive Income and Expenditure Statement (CIES)	Group Balance Sheet
Audit adjustments in disclosures			
1. Adjustments to Note 17 Leases and Note 28 Public Private Partnerships and Similar Contracts to include IFRS 16 disclosures required by the Code as detailed in Exhibit 2 above.			
2. Adjustments to Note 30 Defined Benefit Pension Scheme required to reflect actual fund investment performance for the year and updated IAS 19 report from the actuary.			
Source: Audit Scotland			

32. Management of the council processed audit adjustments for all misstatements identified greater than the reporting threshold. As a result, there are no uncorrected misstatement to report.

33. In addition to the corrected misstatements outlined in [Exhibit 4](#), there were other misstatements identified greater than the reporting threshold. 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.

34. 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 Risk, Audit and Scrutiny Committee as those charged with governance. Details of the uncorrected misstatements can be seen in [Appendix 2](#).

Significant risks of material misstatement identified in the Annual Audit Plan

35. 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 5](#).

Exhibit 5

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 risk. • 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.	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 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 £3,735 million of property, plant, and equipment (PPE) at 31 March 2024, of which £3,324 million was land and building assets.

South Lanarkshire Council is required to value land and building assets at existing use value where an active market exists for these assets. Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. As a result, there is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.

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 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.
- Review LASAAC guidance, which specified Scottish authorities should use the beacon approach methodology to value council dwellings, to ensure the council's valuation process complies with applicable guidance.

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.
- The council's valuation process complies with applicable guidance.

Conclusion: The council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2024/25 has taken place as at 1 April 2024. Management should consider valuing at 31 March to reduce the risk of adjustments being required as a result of material movements in year.

Risk of material misstatement	Planned audit response	Outcome of audit work
Estimation of the pension liability South Lanarkshire Council had a pension liability of £113.666 million at 31 March 2024. South Lanarkshire Council is a member of Strathclyde LGPS, which is a defined benefit pension scheme. Strathclyde LGPS is subject to formal valuation every three years, and this sets out each member's share of 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 South Lanarkshire Council's share of the overall pension liability is required in each intervening year between formal valuations, and these are carried out by Hymans Robertson. 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.	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, 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.	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. • 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 recognition of unfunded and funded elements of the pension liability, is not materially misstated.

Source: Audit Scotland

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

36. The council's valuation team (qualified RICs valuers) have confirmed that they carried out their valuation duties in line with the RICs professional standards, and they have provided a formal year-end report to management. This included a covering report, a Service Level Agreement (SLA) outlining their

conditions of engagement, and an asset review paper (impairment review) which focussed on identifying any unusual circumstances which would affect the value of whole categories of assets. They reviewed the NCA that were most subject to risk in terms of economic influence.

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

38. Where a valuation has been carried out at 1 April 2024, a body should evaluate whether:

- there have been any movements in value during 2024/25 that should be reflected in the 31 March 2025 carrying amount
- there is sufficient evidence that supports the body's consideration of the above is adequate
- it has made necessary adjustments to the 31 March 2025 carrying amount to reflect any movements that require to be reflected.

39. The council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2024/25 has taken place as at 1 April 2024. There was a 2.3 per cent increase in the BCIS index year on year to quarter four, that is, 1 March 2024 to 31 March 2025. The valuer did not consider this an unusual variance and therefore considered that a reassessment of the DRC figures was not required out with the 5 year rolling programme.

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

Whole of Government Accounts (WGA) return

41. 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.

42. The council is below this threshold and therefore only limited audit procedures are required, and submission of an assurance statement to the NAO.

43. The council has had issues setting up users for portal access to allow completion of the WGA; despite ongoing dialogue the council did not receive a response. The council has now identified a new contact and

dialogue is underway to setup users and allow access for the WGA return to be completed going forward.

44. As a result the above, the council has not submitted the WGA return for 2023/24 or 2024/25 financial years.

Recommendation 2

The council should continue to engage with HM Treasury to ensure that both prior year and the 2024/25 return is submitted in line with WGA guidance.

Prior year recommendations

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

Wider scope audit

Conclusion

The council operated within budget in 2024/25.

The level of General Fund reserves has increased with the majority of these earmarked for specific council priorities.

The council implemented a new financial system at the start of the 2024/25, Oracle's cloud-based Human Resources (HR) and Finance solution. This was a significant change programme with a focus on delivering significant improvements to processes, workflow, support agile working, employee self-service and engagement as well as greater levels of automation and improved management information.

The council's revenue budget strategy has reported a projected budget surplus for 2025/26 however there remains a budget gap over the medium term. The council continues to undertake scenario planning and transformation reviews to support medium and long term financial plans.

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

The council has sound governance arrangements in place for how it conducts business. To ensure the Risk and Audit Scrutiny Committee is effective in its role an annual review and assessment should be undertaken with the results captured within an annual report.

Audit approach to wider scope

Wider scope

46. 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.

47. 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

48. 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 6](#).

Exhibit 6

Significant wider scope risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability South Lanarkshire Council continues to operate in an increasingly complex and challenging environment, aiming to provide the best possible service within the resources available. Although a surplus position of £13.727 million is projected for 2024/25, the council has identified a savings requirement of £77.275 million for the next three years to 2027/28. Management have implemented a programme of reviews to contribute towards addressing the financial pressures. However, there is a risk that the council plans do not deliver the required savings to address the projected shortfall.	The audit team will: • Review the council's annual budget setting arrangements. • Review and assess budget monitoring arrangements. • Review of the council's medium to longer term financial planning including how the council aligns savings plans and transformation activity with strategic priorities. • Review the council's financial position and delivery of planned savings.	Audit work performed found: • the council's annual budget setting and monitoring arrangements were appropriate. • The council's medium and longer term financial planning aligns with their strategic priorities. Conclusion: The council recognise the financial challenges facing the organisation. The council continues to undertake scenario planning and transformational reviews to support medium and long term financial plans.

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

The council operated within budget in 2024/25

49. The council approved its 2024/25 revenue budget of £956.252 million in February 2024. In its 2024/25 annual accounts, the council reported an underspend on the provision of services of £30.090 million. This was mainly as a result of underspends in the corporate items budget, an underspend on loan charges, and an over-recovery of council tax. There were also underspends in each resource level with the exception of education resource. Following a number of agreed transfers to contribute to reserves, the final reported position was break-even.

50. The changes in the budget position were reported in revenue budget monitoring reports presented to the Executive Committee throughout the year. These reports contained a good level of detail on the forecast outturn position.

The level of General Fund reserves has increased with the majority of these earmarked for specific council priorities

51. One of the key measures of the financial health of a council is the level of reserves held. The General Fund is the largest usable reserve and is used to fund the delivery of services.

52. The level of usable reserves increased from £133.689 million in 2023/24 to £147.568 million in 2024/25 [exhibit 7](#). The General Fund balance is £118.997 million, however £105.954 million has been earmarked for a specific priority which leaves a residual £13.043 million of uncommitted general reserves. Against a revenue budget of £956.252 million for 2024/2025, this unearmarked element represents a 1.36 per cent reserve. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures.

Exhibit 7

South Lanarkshire Council usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million	31 March 2024 £'million	31 March 2025 £'million
General fund	116.980	122.424	150.283	109.773	118.999
Housing revenue account	12.784	16.241	12.861	13.221	10.440
Repair and renewal fund	7.484	6.496	7.610	5.346	5.122

Capital fund	6.268	5.730	4.776	3.975	11.195
Insurance fund	2.304	1.295	1.411	0.195	1.812
Total usable reserves	145.820	£152.186	176.941	133.689	147.568

Source: South Lanarkshire Council annual accounts 2020/21 to 2024/25

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

Capital expenditure was less than originally budgeted in 2024/25

54. The council approved the 2024/25 capital programmes in February 2024. The general services programme for 2024/2025 originally totalled £49.512 million, with the housing capital programme amounting to £77.303 million.

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

56. At the June 2024 Executive committee it was noted that since the approval of this the baseline general services programme, additional funding was received resulting in an adjustment to the 2024/2025 Capital Programme. The final general services capital programme budget was £69.832 million.

57. At the June 2025 Executive Committee, the general services outturn capital programme spend was reported as £54.652 million for 2024/25 resulting in an underspend of £15.180 million.

58. The main projects contributing to the underspend reflects the profile of spend across a number of projects including within the multi project and multi-year programmes of Leisure and Culture Transformation Fund and Prioritised Urgent Investment Fund where spend is now falling into the new financial year.

59. The housing capital programme outturn was reported as £71.544 million for 2024/25, against the budget of £77.301 million. This represents slippage of 7.4 per cent against the revised budget (slippage of 2.5 per cent against 2023/24).

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

The council successfully implemented a new financial system at the start of the 2024/25, Oracle's cloud-based Human Resources (HR) and Finance solution

61. The council successfully implemented a new financial system at the start of the 2024/25, Oracle's cloud-based Human Resources (HR) and Finance solution. This was a significant change programme affecting the whole workforce, with a focus on delivering significant improvements to processes, workflow, support agile working, employee self-service and engagement as well as greater levels of automation and improved management information.

62. The council will capture the efficiency improvements to support the council's financial position. This change project will also provide a platform for continuing service improvements and efficiencies.

63. Oracle (as the Cloud provider) are responsible for:

- security on the Oracle side, including in respect of internal Oracle staff access to SLC data
- service continuity, including disaster recovery on the Oracle side
- change management, covering system and service maintenance activities, upgrades and updates, and critical security maintenance
- customer support (with the SLC being the customer).

64. Under the Oracle Cloud Hosting and Delivery Policies, Oracle are also responsible for the secure backup of SLC Oracle data and being able to recover and recreate this in the event of a cyber incident.

65. Our consideration of the cyber security arrangements for the new Oracle Cloud platform identified that the SLC data will be stored on the UK Government Cloud. This is a sovereign Cloud created solely for the use of UK Government and Defence customers and designed to reflect the requirements of the UK Government. This arrangement strengthens the security of the data stored for the SLC finance and HR systems.

66. As part of our audit we reviewed the arrangements SLC has in place to obtain assurance on the Oracle Cloud Third-party hosting controls, through the use of a service auditor. The role of a service auditor is to provide a report against recognised standards and provide independent assurance that outsourced service providers are operating effective controls. This gives the users of the service assurance that the system operates as intended. It also delivers efficiencies as it avoids the need for multiple audits and enquiries.

67. The System and Organisation Controls 2 (SOC2) 2024/25 reports covered the period 1 April 2024 to 31 March 2025 (from Oracle Fusion go-live until the end of the 2024/25 financial year) and looked at the UK Government Cloud data centres based in London and Newport. Our review of the service auditor report identified that:

- Physical security controls were outlined and tested via access reports with no deviations from expected controls noted through the testing completed. We noted that this testing was all completed remotely with no datacentres physically visited for the review.
- Oracle Cloud infrastructure and security controls were found to be operating effectively with event management, vulnerability scanning and penetration testing undertaken with no deviations noted.
- Oracle Cloud infrastructure databases and configuration backups are carried out and tested according to the schedules specified by the council.
- Change management arrangements related to Oracle's internal update processes were found to be appropriately designed and operating as expected. The council's internal change management arrangements relating to Oracle configuration changes were found to be operating as expected.
- Full stack disaster recovery procedures are the responsibility of Oracle and policy standards covering business continuity and disaster recovery are outlined within the report. No testing of effectiveness of controls have been undertaken within the report. However, a separate assessment of Oracle business continuity and disaster recovery is carried out annually and no issues were noted.

68. Our high level overview of the Oracle Fusion (Cloud) implementation in relation to General IT Controls noted:

- the data migration process for transferring data from the old systems to Oracle Fusion was well planned and executed and the scope of the Finance and HR/ Payroll user acceptance testing plans was sufficient to support the go-live decision dates with no significant issues identified
- the cutover process was planned, managed and executed
- the helpdesk support tickets for 2024/25 are being managed as part of business as usual. Open support tickets are generally planned to be actioned through Oracle upgrades and policy updates during 2025/26. We plan to monitor the number of open tickets as part of our 2025/26 audit
- patch testing and upgrades are being carried out on a regular basis
- internal business continuity plans were developed and updated, however, it is unclear whether there any other key finance systems that are not included in the plans or whether in the event of an incident that manual control processes are in place for staff to continue working

- the project board approved the decision to go-live, however, we are unable to obtain a minute of the meeting to identify if there was anything relevant that needs to be reported, for example, outstanding issues and risks
- that clear supporting documentation was not always available due to the council's retention policy.

69. Our review also noted that no post implementation or benefits realisation review has been undertaken to capture and consider:

- the impact of timescale delays and increased costs compared to original budgets of the project
- feedback of council service user experience of the implementation process
- the training and post implementation support provided
- range of benefits to be realised as part of the original business case
- that sufficient resources are available for the project going forward to support the developments required to ensure the anticipated benefits are fully realised.

Recommendation 3

Clear supporting documentation for future projects should be kept to back-up the decision making process.

The council should undertake both a post-implementation and benefits realisation review of the new Oracle platform to reflect on the overall success of the project in meeting its stated objectives and expected benefits. This should include assessing which aspects of the project went well and what could have gone better, and to identify lessons and insights that can be applied more widely to improve the planning, management and delivery of future projects.

National Fraud Initiative

70. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council participates in this biennial exercise.

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

72. The council has taken part in the NFI exercise since 2004/2005. The full exercise, which takes place every second year, involves council wide comparisons including benefits, payroll, creditors, council tax, licences and blue badge holders. This data is matched to other benefits and payroll data as well as Department of Work and Pensions (DWP) deceased persons' records and

the Electoral Register. Data extracts from council systems were submitted by the due dates in 2024.

73. Internal Audit presented a paper to the Risk and Audit Scrutiny Committee in June 2025 which advised of the matches resulting from the 2024 National Fraud Initiative (NFI) exercise and of the proposed target number of investigations to be undertaken in 2025/26.

74. Investigations have a proposed deadline for investigation of 31 December 2025. The council anticipate that most investigations will have been completed ahead of this date and further updates on progress will be reported during 2025/2026.

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

76. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the council:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.
- 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.

Financial Sustainability

The council's revenue budget strategy has reported a projected budget surplus for 2025/26 however there remains a budget gap over the medium term. The council continues to undertake scenario planning and transformation reviews to support medium and long term financial plans

77. In February 2025 the council reported an expected budget gap of £32.320 million for the financial years 2026/27 (£18.515 million) and 2027/28 (£13.805 million) respectively.

78. At the Executive Committee meeting in June 2025 management presented the 2026/27 to 2027/28 Revenue Budget Strategy. The report advised that the revenue budget position, before any corporate solutions, for 2026/27 to 2027/28 was a gap of £24.273 million.

79. The reduction in the projected budget gap was achieved by applying the anticipated budget surplus in 2025/26 of £6.780 million and the full year impact of 2025/2026 approved savings of £1.267 million. This resulted in the anticipated budget gap in 2026/27 reducing to £10.468 million as detailed in [Exhibit 8](#).

Exhibit 8

Identified savings requirement 2025/26 to 2027/28

	2026/27 £ millions	2027/28 £ millions	Total
Original budget gap report to Council in February 2025	18.515	13.805	32.320
Budget surplus from 2025/26	(6.780)	-	(6.780)
Full Year Impact of 2025/2026 Approved Savings	(1.267)	-	(1.267)
Total budget gap	10.468	13.805	24.273

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

80. The report also highlighted that there was a risk that the budget gap could increase to £42 million as a result of pay awards. The pay deal for non-teaching staff has been agreed for 2025/2026 and 2026/27. For teaching staff, there is no pay deal beyond August 2025.

81. Every 1 per cent that the pay offer is higher than the council has budgeted, would cost almost £6 million per annum on a recurring basis with a multi-year pay offer resulting in a recurring funding shortfall of up to £18 million.

82. One way of managing the Budget Gap is the programme of Transformational Reviews ongoing across the Council. Savings from completed reviews have already been factored into the reduction in the projected budget gap for 2026/27, as detailed above.

83. The Transformational Reviews are continuing to progress, and proposals will be presented to elected members for approval as part of the Budget setting process for 2026/2027 and 2027/2028. While any savings from the majority of the Reviews have still to be confirmed, the council recognises that they would not cover the full extent of the Budget Gap over the next two years.

84. One of the levers available to councils to assist in reducing their Budget Gap is an increase in council tax levels. The 2025/2026 Council Tax Budget is £171.823 million, therefore every 1 per cent increase in the Band D level means a £1.718 million of additional income.

85. The report presented different scenarios to illustrate how different percentage increases would reduce the budget gap. A five per cent increase would reduce the budget gap over the period by £17.2 million whereas an eight per cent increase would reduce the budget gap by £27.5 million.

86. In addition the report explained that given the financial horizon, there was a need to look at the picture not just for the medium-term and the report outlined that work would continue over the summer with a view to presenting a Long-Term Financial Strategy to Members in the Autumn. This will state the assumptions made, and the risk areas which could impact on the Budget Gap across the years.

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

87. The council recognises the financial challenges it faces in the coming years. As detailed in [exhibit 7](#), as at 31 March 2025, the council had a total General Fund balance of £118.999 million. Of this £105.956 million has been earmarked for a specific priority with a residual balance of £13.043 million of uncommitted general reserves.

88. Councils can hold reserves for a number of reasons. Some reserves are earmarked for identified expenditure which will, or may occur over the short, medium or longer term. In addition to these reserves, there are uncommitted reserves which help manage unforeseen circumstances.

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

90. A Reserves Strategy was presented to the Finance and Corporate Resources Committee on 30 October 2024. This detailed the council's reserves, their balance at the end of 2023/2024, their purpose, and also a proposed strategy.

91. The Reserves Strategy agreed to an annual review to consider the monies held in the Earmarked/Committed General Fund Reserve, alongside the Council's Revenue Budget Strategy. This will be undertaken following the completion of the Annual Accounts for 2024/2025 with an update provided to the Finance and Corporate Resources Committee in September 2025.

92. The Chartered Institute of Finance and Public Accountancy (CIPFA) introduced a Financial Management Code for implementation by 31 March

2021. This provides “guidance for good and sustainable financial management in local authorities. By complying with the principles and standards within the code, authorities will be able to demonstrate their financial sustainability”. A key goal of the FM Code is to improve and evidence the financial resilience of organisations by embedding enhanced standards of financial management.

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

94. A Financial Resilience and Sustainability report was presented to the Risk and Audit Scrutiny Committee on 24 September 2024. This provided a summary of the 2025/26 to 2027/28 Budget Strategy, demonstrating the council’s understanding of the medium-term financial outlook and providing information on the council’s financial resilience and sustainability.

95. This paper demonstrated the council’s financial resilience by explaining its detailed financial planning, its level of reserves and its key financial strengths in term of its balance sheet position. The council recognises that this is about more than the reliance on usable reserves, and that councils need to be more comprehensive in their assessment of their level of financial resilience.

96. The report detailed that the financial resilience of the council looks at its ability to anticipate and respond to changes in the internal and external financial environment. In order to do that, the council recognises it is important to know what resources are available in a time of crisis, and not just reserves. It is also important for the council to understand its exposure to loss of income, level of commitment to expenditure, and to know the flexibility the council has in terms of accessing funds when they are required.

97. It noted that any risks identified through horizon scanning are mitigated where appropriate through the Budget Strategy, which is a key part of the council’s financial resilience framework. An annual update on the Council’s financial sustainability will be presented to the Risk and Audit Scrutiny Committee in September. Through the 2026/2027 to 2027/2028 Revenue Budget Strategy the council demonstrates a clear understanding of the budget pressures it faces.

98. Key financial information considered in forming the judgement on the council’s arrangements for securing financial sustainability is outlined in [Exhibit 9](#).

Exhibit 9

Key financial information

Budget setting	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget gap	7.260	8.818	20.570	5.264
Planned to be met via:				
• Savings and flexibilities	6.185	1.950	13.190	6.485
• Use of reserves	3.235	6.565	2.176	11.970
• Additional council tax	3.482	8.050	7.869	9.480
• Recurring investments	-	-	0.480	3.921
• One-Off investments	5.642	7.747	2.185	18.750
Actual				
Savings delivered	5.935	1.950	12.667	-
Reserves				
Use of / (contribution to) reserves		43.252	(13.879)	-
Total usable reserves carried forward	176.941	133.689	147.568	-
General Fund:	150.283	109.773	118.999	-
• Earmarked	137.240	96.730	105.956	-
• Uncommitted	13.043	13.043	13.043	-

Source: The council's 2024/25 annual accounts and Executive Committee papers

99. The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the council:

- making appropriate arrangement to develop medium and longer-term financial plans and linking these to its Corporate Plan and 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 strategy in place to manage the use of reserves if the required level of savings cannot be met.

Vision, Leadership and Governance

The council has clearly articulated its vision and priorities

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

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

The council has sound governance arrangements in place for how it conducts business. To ensure the Risk and Audit Scrutiny Committee is effective in its role an annual review and assessment should be undertaken with the results captured within an annual report

102. The council's governance arrangements have been set out in the Annual Governance Statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate. This is informed by our regular attendance at the Risk, Audit and Scrutiny Committee and review of Council, Executive Committee and other committee papers as appropriate.

103. The Risk and Audit Scrutiny Committee's role is to support the council in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements.

104. It is important that elected members understand the financial and other information presented in reports to committees and are equipped with the knowledge and skills needed to scrutinise and challenge effectively.

105. Members need to ensure that all key decisions are subject to an appropriate level of challenge and scrutiny at public meetings. This includes sufficient discussion and scrutiny of performance and financial reports.

106. As detailed in the Chartered Institute of Public Finance (CIPFA) guidance on the audit committee and organisational effectiveness in local authorities [Local authority audit committees](#), recommended practice is for audit committees to review and assess themselves annually or to seek an external review. The results of the assessment should be available in the annual report from the committee.

107. There is also an opportunity for the council to refresh the Terms of Reference of the Risk and Audit Scrutiny Committee to clearly document committee members role in terms of review of risk, controls and audit functions.

Recommendation 4

Members should, with the assistance of officers, continue to review their personal training and development needs and agree a plan to ensure that they have the skills required to effectively fulfil their scrutiny and challenge roles.

To ensure the Risk and Audit Scrutiny Committee is effective in its role an annual review and assessment should be undertaken with the results captured within an annual report.

108. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having a Corporate Plan in place, supported by Operational Plans, that clearly set out its vision, strategy, and priorities and reflect 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, both internally and externally, that is linked to its Operational Plans.
- having effective governance arrangements in place in general, as reflected in the Annual Governance Statement included in the annual accounts.

Use of Resources to Improve Outcomes

109. 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. 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.

Best Value audit

Conclusion

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

The council has a Transformational Change Programme in place that is clearly linked to its updated Council Plan, financial plans and digital strategy.

The council currently focuses on establishing the financial benefits of its transformational activities but does not routinely separately track or report on the impact on service quality or outcomes for service users in relation to these transformational activities.

Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate.

The council has an improvement action plan for all indicators, including those reported as being below the Scottish average.

The council has an effective performance management framework in place.

The council reviews and reports its performance using a number of measures that are clearly aligned to the priorities and outcomes set out in the Council Plan.

Audit approach to Best Value

110. 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.

Themes prescribed by the Accounts Commission

111. 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 service transformation and involves considering how the council is redesigning services to maintain outcomes and deliver services more efficiently.

112. 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.

- The council has a Transformational Change Programme in place that is clearly linked to its updated Council Plan, financial plans and digital strategy.
- The council estimates that it has a budget gap of £42 million to 2027/28. To date it has approved savings of £6.485 million for 2025/26, £2.680 million of which is intended to be delivered from transformational reviews. It is aware that it needs to explore further transformation opportunities alongside other measures to help bridge its budget gap and improve outcomes for the people of South Lanarkshire.
- The council has effective governance arrangements in place to oversee its transformational reviews through regular progress updates to the Corporate Management Team. Comprehensive updates are provided on a regular basis to elected members through committee updates on transformational reviews and the budget process.
- Transformational reviews are the responsibility of senior officers across the council and are mainly taken forward by staff within its resources (the council refers to its services or departments as resources). The council has an officer in place who supports project teams with the administrative tasks of the Transformational Change Programme. Going forward, there is a risk that the council does not have the sufficient dedicated resource to drive future transformational activity required.
- The council has actively engaged in partnership working to support the delivery of transformational activity.
- The council has provided examples of where it has engaged or consulted with communities in relation to its transformational reviews and budget-setting process. It is unclear what specific changes have been made as a result of its community engagement.

- The council carries out Integrated Impact Assessments for its transformational reviews to consider the potential changes to services on vulnerable groups and there are examples of community engagement taking place in relation to these.
- The council currently focuses on establishing the financial benefits of its transformational activities but does not routinely separately track or report on the impact on service quality or outcomes for service users in relation to these transformational activities.

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

Statutory performance information (SPI) and service performance

114. 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.

115. 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.

116. Audit work assessed the arrangements the council has in place for preparing and publishing SPI, including how it has responded to assessments, and concluded the arrangements in place were effective and appropriate.

The council has an improvement action plan for all indicators, including those reported as being below the Scottish average

117. The council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

118. The most recent [National Benchmarking Overview Report 2023-24](#) by the Improvement Service was submitted to the Council's Performance and Review Scrutiny Forum in April 2025 along with a council specific action plan. Details of the council's trend over the past three years against these performance indicators can be seen at [exhibit 10](#).

119. Across the 102 indicators in 2023/24, the council's performance has improved against 41 (40 per cent) and declined against 34 (33 per cent). In terms of the council's figures relative to the Scottish average, performance was

better than the Scottish average for 44 (43 per cent) and worse than the Scottish average for 34 (33 per cent) of indicators.

120. There are 22 (22 per cent) indicators for which the results or trend information is not yet available for 2023/2024, including tackling climate change, looked after children, educational attainment and attendance/exclusions. It is hoped that these results will be available when the 2023/2024 data is refreshed over the coming months.

Exhibit 10

South Lanarkshire Council analysis of LGBF results

	Number of indicators (%) 2021/22	Number of indicators (%) 2022/23	Number of indicators (%) 2023/24
Performance			
Improving performance	39 (39%)	52 (51%)	41 (40%)
Declining performance	53 (54%)	36 (35%)	34 (33%)
No change in performance	3 (3%)	4 (4%)	5 (5%)
Information not available	4 (4%)	9 (9%)	22 (22%)
Comparison with Scottish Average			
Better than Scottish average	50 (51%)	51 (50%)	44 (43%)
Worse than Scottish average	43 (43%)	40 (39%)	34 (33%)
Same as Scottish average	2 (2%)	2 (2%)	2 (2%)
Information not available	4 (4%)	9 (9%)	22 (22%)

Source: LGBF 2023/24 (2023/24 Results at January 2025)

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

122. At a service level, under-performing LGBF measures are included in the horizon-scanning and self-assessment exercise undertaken each year. This draws attention to poor performance in the LGBF and services are asked to review the figures and provide narrative about reasons why and any actions

necessary which would feed into Resource Plans and improvement actions throughout the year.

123. The council publish a suite of Public Performance Reports (PPR). Each PPR relates to a service area and are then grouped on the council website by Connect outcome. The reports include information on targets, where applicable, with performance from the prior two financial years detailed for both the council and the Scotland average to allow comparison. Information is given on how the target is measured and links are provided to further information.

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

- a case study to illustrate how the council is working towards achieving outcomes
- infographics giving a visual presentation of performance; identifying whether or not performance is improving
- links to additional more detailed information.

125. The council's website covers all the requirements set out in the SPI direction issued by the Accounts Commission. The council continues to improve its public reporting of performance information through clear alignment of performance information with its key strategic outcomes.

The council has an effective performance management framework in place

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

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

128. In 2021/22 the council engaged with the Improvement Service to review how it used and reported on the Local Government Benchmarking Framework (LGBF). This resulted in a suite of refined indicators to allow the council to prioritise and allow for scrutiny on its identified improvement areas.

129. In 2024, the Improvement Service (IS) launched an online dashboard as the main portal to access LGBF data and analysis. As part of this, the IS offered to work with interested councils to explore how dashboard technology could be used at a local level to improve engagement with and use of the LGBF.

130. Building on the review of LGBF reporting undertaken in 2021-22, the council has worked with the IS to develop a South Lanarkshire version of the LGBF dashboard. Key features of the dashboard are:

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

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

The council reviews and reports its performance using a number of measures that are clearly aligned to the priorities and outcomes set out in the Council Plan

132. The council reviews its performance using a number of measures that are aligned to the priorities and outcomes set out in the Council Plan. A total of 256 measures were identified within Resource Plans for 2024/2025. Of those 61 are nominated as key strategic measures for reporting progress against the Connect Outcomes detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports are publicly reported on the performance pages of the Council’s website.

133. In addition, progress reports on Connect 2022-27 are taken to the Performance and Review Scrutiny Forum. The latest Quarter 4 Progress Report 2024/2025 was considered in August 2025. The progress reports include a summary of performance against measures for each of the Council’s Connect Plan objectives, along with details of the main achievements for that objective.

134. The Connect quarter four progress report for 2024/25 reports that of the council’s 61 strategic performance measures, six projects had been completed; 43 projects, the timescale or target had been met; six projects where there was minor slippage in timescale or target, four projects where there has been major slippage against timescale or target and two where the information was not yet available and would be reported at a later date.

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

136. From a review of the service performance information reported by the council, this was found to be sufficiently detailed to provide an assessment of progress the council is making against its strategic priorities and allow effective scrutiny of performance.

Progress against previous Best Value findings and recommendations

137. 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.

138. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). The council has implemented the previous recommendations made.

Conclusions on Best Value

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

139. 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.

Appendix 1

Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Close down procedures There were delays in the provision of a number of underlying working papers to the audit team to support the financial statements. Risk: There is a risk that the delivery of the financial audit is inefficient and the resultant delays impact on the agreed sign off by the statutory deadline.	Staff should be reminded of the year end timetable and the importance that working papers for external audit are provided to the Finance Strategy Team in line with the year-end timetable deadlines to ensure all working papers are available with the unaudited accounts.	Accepted The importance of meeting timelines set will be reiterated to all officers involved in the Accounts process. Head of Finance (Strategy) End March 2026
2. Whole of Government Accounts (WGA) The council has had issues setting up users for portal access to allow completion of the WGA; despite ongoing dialogue the council did not receive a response. Risk: There is a risk the council does not comply with HM Treasury requirements in respect of the submission of WGA information.	The council should continue to engage with HM Treasury to ensure that both prior year and the 2024/25 return is submitted in line with WGA guidance.	Accepted The Council can now access the HM Treasury portal and the WGA Accounts will be submitted post audit. Head of Finance (Strategy) End October 2025

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. Oracle Fusion The council successfully implemented a new financial system at the start of the 2024/25, Oracle's cloud-based Human Resources (HR) and Finance solution. Our review identified that clear supporting documentation was not always available due to the council's retention policy. We also noted that, as yet, no post implementation or benefits realisation review has been undertaken.	Clear supporting documentation for future projects should be kept to back-up the decision making process. The council should undertake both a post-implementation and benefits realisation review of the new Oracle platform to reflect on the overall success of the project in meeting its stated objectives and expected benefits. This should include assessing which aspects of the project went well and what could have gone better, and to identify lessons and insights that can be applied more widely to improve the planning, management and delivery of future projects.	Accepted Some supporting information requested was outwith SLC control as we no longer have access to the systems where these are held. Year 1 post go-live focussed on stabilisation. Post-implementation and benefits review are work in progress as Year 2 activity with critical friend approach developed. Head of Information Technology Ongoing
4. Risk and Audit Scrutiny Committee The Risk and Audit Scrutiny Committee's role is to support the council in establishing, maintaining, and improving effective governance, risk management, and internal control arrangements. Currently no self-assessment review is undertaken on the committee's performance. Risk: There is a risk members do not reflect on the effectiveness of the committee to identify areas for improvement.	Members should, with the assistance of officers, continue to review their personal training and development needs and agree a plan to ensure that they have the skills required to effectively fulfil their scrutiny and challenge roles. To ensure the Risk and Audit Scrutiny Committee is effective in its role an annual review and assessment should be undertaken with the results captured within an annual report.	Accepted The annual training needs assessment exercise will continue to ensure members are comfortable in their role. An annual assessment will be considered for the Members of the Risk and Audit Scrutiny Committee. Head of Personnel and Audit Manager End June 2026

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
2024/25 recommendations from the BV thematic report		
1. Transformation ambition The council has significant budget savings to make over the next three years and beyond and is aware that it must explore further options for transformation to help bridge its funding gap and improve outcomes for the people of South Lanarkshire. There is a risk that the council may not be able to deliver sustainable services if the required savings are not achieved.	The council should ensure its plans for transformation are sufficiently ambitious to ensure that it can continue to deliver sustainable services, prioritising transformational activities that will deliver the most impact and contribute to reducing the budget gap.	The Council continues to progress a long term schedule of transformational reviews which run in parallel with the Budget process, in order to maximise the impact on the Budget Gap. Executive Director of Finance and Corporate Resources / Corporate Management Team. September 2025
2. Resourcing transformation The council has advised that delivering transformation is part of the jobs of managers, heads of service and directors and the council has periodically hired external support to help capacity. It has an officer in place to support project teams with the administrative tasks of the transformation programme. There is a risk that the council's Transformational Change Programme will lose momentum if it does not have the sufficient dedicated resource to drive the activity required.	The council should assess whether its arrangements for resourcing transformation activities are sufficient to drive the scale and pace of change required in future.	The role of senior officers in the Council includes managing change and the work around transformation forms part of that role. The arrangements for resourcing transformation across the Council will continue to be monitored, and as is currently the case, additional resources will be deployed as and when required. Executive Director of Finance and Corporate Resources / Corporate Management Team. Ongoing as required

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
3. Demonstrating the impact of community engagement on transformational activities The council has shared examples of how it has engaged or consulted with communities in relation to its transformational reviews and budget process. It is unclear what specific changes have been made as a result of this engagement as this has not been clearly demonstrated. There is a risk that the council is not viewed to have considered community views when prioritising which transformational projects to be taken forward.	The council should ensure it demonstrates how engagement with communities, including vulnerable groups, has informed planned changes to services.	The Council will consider adding a final stage to the Budget Consultation process for the 2026/2027 exercise, to ensure outcomes are fed back to communities. This will include feedback on the impact of consultation on Transformational Reviews. Head of Finance (Strategy) March 2026
4. Measuring the impact of transformational activities The council currently focuses on establishing the financial benefits of its transformational activities but does not routinely separately track or report on the impact on service quality or outcomes for service users in relation to these transformational activities. There is a risk that, when prioritising which transformational activities to take forward, the council does not have adequate information on impact to make a fully-informed decision.	The council should prioritise establishing a framework that identifies and monitors the estimated and realised impact to date of its transformation work, including on service delivery and on outcomes for service users. It should report to CMT and elected members on both the financial and non-financial impact of the full range of its transformational activities.	The Council will develop a framework to capture estimated and actual impacts from transformation activities. An annual report will be produced which will provide a summary of the outcomes from the Transformational Review Programme. Executive Director of Finance and Corporate Resources / Corporate Management Team June 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Council house valuations The approach taken by the Council draws on elements of Guidance for Valuers issued in 2016, however only one beacon property is used as a basis for the full council house stock held by the Council. Risk: There is a risk that the council house stock is not valued in line with applicable guidance.	The valuer should detail the valuation process followed, assumptions that have been made and supporting information so that the entire process, sources of information and assumptions provide suitable assurances to management. In addition the valuer should review the current valuation process against applicable guidance to assure themselves that the valuation process remains fit for purpose. The Head of Property has detailed the process followed and has confirmed that the valuation method used for council house valuations follows the Beacon method. This valuation process matches the applicable guidance and therefore the valuation process is fit for purpose. Responsible officer: Head of Property	Implemented.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. IFRS 16 Implementation From 1 April 2024, a new International Financial Reporting Standard, IFRS 16, will come into effect for Local Authorities. The Council is not yet in a position to quantify the likely impact of IFRS 16. Risk: there is a risk that the Council do not progress the implementation of IFRS 16 in line with the project plan.	The Council should review the current timetable to ensure that key dates are being achieved to allow implementation in line with the project plan. The Council is aware of the requirements of IFRS 16 and is working towards the implementation date of end March 2025. Responsible officer: Head of Finance Agreed date: End March 2025	Implemented.
3. 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 be an area of enhanced scrutiny for local government auditors.	The Council should proactively work with CIPFA and the wider local government sector to arrive at appropriate solution for the implementation of accounting for infrastructure assets. The Council is keeping a watching brief on national discussion on this topic and will continue to engage with CIPFA and other bodies where possible, to arrive at a suitable solution. Responsible officer: Head of Finance Agreed date: End March 2025	Work in progress. The council will continue to engage as required once options are proposed by CIPFA.

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
4. Reserves strategy and financial resilience In our 2022/23 Annual Audit Report we recommended that the Council should enhance the level of monitoring around financial resilience indicators and risks. Risk – This Council is preparing a detailed report on resilience to the Risk and Audit Scrutiny Committee in September 2024.	The council should ensure that there is a clear risk assessment and scrutiny of the level of reserves held and how this supports financial resilience and sustainability over the medium term. The council has presented a report to the Risk and Audit Scrutiny Committee detailing the Council's Resilience Framework. A further report on the council's Reserves position will be presented to the Finance and Corporate Resources Committee in the Autumn. This will detail the level of reserves held by the council, their purpose, and will note their role in financial resilience. Responsible officer: Head of Finance Agreed date: End November 2024	Implemented

Progress against previous Best Value findings and recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
5. Corporate level workforce strategy supported by clear reporting on actions The Council does not have a corporate level workforce strategy. The Council level workforce plan does not include or refer to workforce data, such as the age profile of its workforce, the number of casual staff used or indicators of staff wellbeing. Nor does it include any information on what it is currently doing to address any workforce capacity issues or how it plans to develop its future workforce. Risk – There is a risk that the Council is not using workforce data to inform workforce planning that links to its strategic priorities.	The Council should develop a corporate level workforce strategy to demonstrate a clear link to the Connect Council Plan 2022-27. The Council should build on the workforce planning to date and implement a more strategic, data-driven approach to workforce planning, with SMART action plans, setting out how Council level and service level actions are being progressed. Management response The Council will complete an updated Workforce Strategy for 2025-2027 with accompanying workforce plans to align to the Council Plan Connect Business Planning Cycle. The Council will create a strategic workforce plan for 2025– 2027 to align with the Council plan and will also create workforce plans for this period and reference the data analysis and findings more clearly to show both the high-level actions and specific resource actions. Responsible officer Head of Personnel Services Actioned by 31 March 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
6. Digital technology The Council is at an early stage in establishing links between workforce planning and digital technology Risk – There is a risk that the workforce planning is not fully utilising the benefits of digital technology.	The Council should develop measures to capture and monitor the impact of digital technology on workforce productivity and service outcomes. It should also set out how it expects digital technology to shape its future workforce. The Council will include links in the 2025-2027 workforce strategy and plans to digital technology. The Council will include measures to capture and monitor the impact of digital technology. Responsible officer Head of Personnel Services Head of IT Services Actioned by 31 March 2025	Implemented
7. Digital Exclusion Digital inclusion is one of 21 principles set out in the Digital Strategy 2022-27 and is also one of eight themes. The Council is progressing a number of initiatives to support digital inclusion. Risk – There is a risk that without a SMART action plan to monitor progress the Council cannot demonstrate it is achieving the principles set out in the Digital Strategy.	The Council should develop an action plan to allow it to monitor progress in addressing digital exclusion in its workforce and for its citizens. The Council will develop an action plan within its workforce plans that will detail the next steps in progressing digital inclusion in its workforce. For its citizens, this will be captured within the digital strategy action plans. Responsible officer Head of Personnel Services Head of IT Services Actioned by 31 March 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update on progress
2022/23 recommendations		
Transformational change The Council should continue to identify where it can progress transformational change in how its services are delivered. This should identify where recurring savings, rather than temporary solutions, can be made together with proposals to reduce costs.	The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces. Management Response: The Council has a programme of cross-cutting reviews as well as individual Resource Reviews which will assist in bridging the budget gap moving forward. Responsible officer: Executive Director, Finance and Corporate Resources Agreed date: Ongoing	Implemented

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Uncorrected misstatements		£000	£000	£000	£000
1. Peppercorn leases not included within the financial statements					
	Property, Plant and Equipment			3,849	
	Surplus/Deficit on provision of services		3,849		

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2024/25	15 May 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
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
Council Tax rises in Scotland	28 March 2025

South Lanarkshire Council

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