

Agenda

Thursday 12 December 2024 10.00am
Audit Scotland offices, 102 West Port,
Edinburgh, and online via Microsoft Teams
516th meeting of the Accounts Commission

1. Apologies for absence

2. Declaration of connections

Business requiring decisions in public

3. Order of business

The Chair seeks approval of business including taking items 9 to 19 in private for the reasons set out on the agenda.

4. Minutes and matters arising from previous meeting Secretary 10.05

Business for discussion in public

5. Aberdeen City Council – section 102 report Controller of Audit 10.10

6. Local government policy update report Policy Manager 11.00

7. Chair's update Chair 11.10

8. Any other public business Chair 11.20

The Chair will advise if there is any other public business to be considered by the Commission.

Business for discussion in private

9. Impact reporting and work programme update Executive Director of PABV 11.30
[Item to be taken in private as it requires the Commission to consider confidential policy matters.]

10. Additional support for learning: draft briefing Executive Director of PABV 12.00
[Item to be taken in private as it requires the Commission to consider a draft publication in private before publishing.]

11. Audit Scotland Q2 corporate performance report [Item to be taken in private as it requires the Commission to consider confidential policy matters.]	Chief Operating Officer	12.25
12. Chief Operating Officer update (verbal) [Item to be taken in private as it requires the Commission to consider confidential policy matters.]	Chief Operating Officer	12.35
<i>Break for lunch</i>		12.45
13. Controller of Audit’s update (verbal) [Item to be taken in private as it requires the Commission to consider confidential policy matters.]	Controller of Audit	13.30
14. Aberdeen City Council – section 102 report [Item to be taken in private as it requires the Commission to consider actions in response to a statutory report.]	Controller of Audit	13.40
15. Statutory Performance Information (SPI) Direction: final draft for publication [Item to be taken in private as it requires the Commission to consider confidential policy matters.]	Secretary and Policy Manager	14.10
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Close of meeting		14:30
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Commission and Audit Scotland Board		15:00

Minutes and matters arising from previous meeting

Secretary to Accounts Commission

Item 4
Meeting date: 12 December 2024

Purpose

1. This paper presents for the Commission's approval the draft minutes of the previous meeting of the Commission along with a summary of matters arising from those minutes.

Recommendations

2. The Commission is asked to:
 - Approve the attached draft minute of its previous meeting.
 - Consider any matters arising from the draft minute.

Minutes

3. The minute of the previous meeting is in Appendix 1.
4. Members should note that the action tracker – available to members via SharePoint and shared with them monthly – provides updates on progress from previous meetings.

Minutes

Thursday 7 November 2024, 10.00am

Audit Scotland offices, 102 West Port, Edinburgh, and
online via Microsoft Teams

515th meeting of the Accounts Commission

Present:

Jo Armstrong (Chair)
Malcolm Bell
Nichola Brown
Andrew Burns
Andrew Cowie
Carol Evans
Jennifer Henderson
Angela Leitch
Christine Lester
Ruth MacLeod
Mike Neilson
Derek Yule

In attendance:

Sarah Watters, Secretary
Helena Gray, Controller of Audit
John Boyd, Audit Director, Audit Services Group (ASG)
Stephanie Harold, Senior Audit Manager
Joe Chapman, Policy Manager to the Accounts Commission
Vicki Bibby, Chief Operating Officer
Stephen Boyle, Auditor General for Scotland (items 13 and 14)
Alison Cumming, Executive Director of PABV
Kathrine Sibbald, Senior Manager, PABV
Zoe McGuire, Audit Manager, PABV
Blyth Deans, Audit Director, PABV
Martin McLauchlan, Senior Manager, PABV
Cornilius Chikwama, Audit Director, PABV
Dharshi Santhakumaran, Senior Manager, PABV
Ashleigh Madjitey, Audit Manager, PABV
Owen Smith, Director of Audit Quality and Appointments
Jennifer Doolan, Senior Auditor

1. Apologies for absence

There were no apologies for absence noted.

2. Declaration of connections

Sarah Watters declared a connection with Item 5 and 6 as a former employee of Scottish Borders Council.

Jennifer Henderson and Carol Evans declared connections in relation to Item 17 as a Chief Executive and Board Member of audited bodies respectively.

It was agreed these connections did not preclude Sarah, Jennifer or Carol from participating in discussions.

No other connections were declared.

3. Order of business

It was agreed that the following items be considered in private:

Items 9 to 19, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meetings

The Commission considered a report by Sarah Watters, Secretary, presenting the minutes of the meetings of November's meeting including a summary of actions arising from the minutes.

- Christine Lester raised a query in relation to member appraisals, suggesting they should be referred to as development discussions. Jo Armstrong referred to Accounts Commission appointment letters from Scottish Government which states that Performance Appraisals should take place annually.
- Sarah Watters advised the Aberdeen City Council Section 102 will be presented to the Commission in December and the Renfrewshire Council Best Value will be in Spring 2025.
- Sarah Watters advised members on Item 9, she and Alison Cumming will be meeting with Sarah Gadsden to discuss the approach the Commission agreed in relation to future joint working. Sarah advised that proposals would need to be taken to the Improvement Service Board in December for its consideration.

With no further comments, the minutes were approved as a correct record.

5. Best Value report: Scottish Borders Council

The Commission considered the Controller of Audit's report on Best Value in Scottish Borders Council. Following an introduction by Helena Gray, the discussion was structured according to the following themes:

- Financial sustainability, including:
 - Track record, progress and future plans for achieving recurring savings
 - Financial risks including around borrowing, IJB and arms-length bodies

- Change Fund – how it will be maintained and replenished; timescales
- Transformation, including:
 - Success of previous programme, impacts and lessons learned
 - Expected benefits and how they will be realised and measured
 - Current and potential future use of shared-services approaches
 - Role of transformation in meeting future budget gaps
- Performance reporting, including:
 - Understanding council’s relative performance against LGBF indicators
 - Actions taken to address areas of relatively poor performance
 - Culture of continuous improvement and use of self-evaluation
 - Linkage between performance indicators/measures and council plan
- Workforce planning, including:
 - When and how the council will define its future workforce requirements
 - Sharing of good practice (such as ‘Grow Your Own’) with other councils
 - Review of productivity impact of hybrid working and actions taken
 - Monitoring the impact of efficiencies on capacity in corporate services
 - Actions to support recruitment and retention including provision of accommodation
- Community engagement, including:
 - New community engagement strategy – leadership, evaluation and review
 - Council’s work on place-making – taking forward local place plans
 - Ensuring breadth and depth of engagement across the council area
 - Engagement regarding council budget including surveys and events
- Other issues, including:
 - Management of cyber security risks – controls; Cyber Essentials accreditation
 - Members’ general praise for the council on the positive report

Following discussion, the Commission agreed to decide in private how it wishes to respond to the report.

6. Local Government policy update report

The Commission considered a report by Joe Chapman, Policy Manager, providing an update on significant recent activity relating to local government.

Joe gave an update on the key points from the UK Budget, including regarding the impact of the increase in employer National Insurance contributions, the expected Barnett consequential, and decisions about levelling up funding in Scotland.

Joe also advised that the Scottish Government has opened a consultation on 'a future vision for foster care'. However, as with the consultation on 'a definition of care experience' that is covered in the report, the Secretary had agreed with Audit Scotland colleagues that no response will be submitted as no relevant audit work has been carried out.

During discussion:

- Carol Evans pointed out the differential impact of the national insurance changes between the public sector and private or third-sector providers of public services, with compensation being given only to public bodies. Members agreed that this is an area of concern given the financial pressures already facing social care providers.
- Derek Yule referred to the evidence to the Local Government, Housing and Planning Committee regarding reserves, and highlighted that this issue should be covered in detail in the forthcoming Financial bulletin.

Following discussion, the Commission noted the report.

7. Chair's update report

The Commission considered an update by the Chair, Jo Armstrong, on recent and upcoming activity.

During discussion,

- Jo Armstrong gave an update regarding her recent engagement with COSLA including around the Verity House Agreement, and with Solace and the Improvement Service in relation to local government transformation.
- Jo Armstrong also highlighted an event taking place in November with the three Ayrshire councils regarding transformation, collaboration and shared services, as well as engagement with council Directors of Finance.

Following discussion, the Commission noted the update.

8. Any other public business

The Chair, having advised that there was no business for this item, closed the public part of the meeting.

9. Controller of Audit's update report

The Commission considered a written and verbal update by Helena Gray, Controller of Audit, on recent and upcoming activity, which included the following:

- Helena Gray highlighted that the Renfrewshire Council Annual Audit Report (AAR) is now available to members and gave an update on the coverage within the AAR of issues relating to additional costs due to Dargavel.

Following discussion, the Commission noted the update.

10. Best Value report: Scottish Borders Council

The Commission considered its response to a report by the Controller of Audit on Best Value in Scottish Borders Council.

Following discussion, the Commission agreed to make findings to be published on 28 November 2024; the drafting of those findings would be delegated to the Chair and the Secretary on behalf of the Commission and would then be circulated to all members for comment, with responsibility for final sign-off resting with the Chair.

In discussing what the findings should include, the following general points were raised:

- The Commission acknowledged the council's response to the recommendations in previous Best Value reports, and its commitment to continuous improvement, with a clear vision and strategic priorities linked to local needs.
- The Commission was impressed by the council's strong approach to financial management, with a strong track record of delivering planned savings – including recurring savings, which the council must continue to focus on.
- The council's financial strategy risk register was recognised as an area of good practice that should be shared with others.
- The 'Fit for 2024' transformation programme was delivered successfully, with a new programme 'SBC Way' underway – supported by a 'self-replenishing' change fund, which the Commission will watch with interest.
- The Commission urges the council to strengthen its reporting on its transformation programme milestones and expected benefits, as well as its engagement with communities on its transformation agenda.
- The council demonstrates a willingness to work with other councils and partner organisations, locally and further afield – the Commission encourages the council to continue with this approach in order to achieve its target outcomes and realise the required savings.
- The council should strengthen its use of the Local Government Benchmarking Framework and report more clearly on improvement actions.
- The Commission recognises the range of initiatives to tackle workforce issues, and encourages the council to share this good practice. However, the council needs to ensure closer links between its workforce, financial and council plans, and develop performance metrics to measure the impact of its actions.
- The Commission will take an interest in how the council is assessing the impact of its new Community Engagement Strategy, including evidence of effective leadership and how the principles are being embedded across the council.

11. Accounts Commission 2025/26 budget proposal

The Commission considered a paper by Vicki Bibby, Chief Operating Officer, regarding the proposed 2025/26 Accounts Commission Budget.

Vicki Bibby introduced the paper, summarising the considerations, engagement with the Commission sub-group and discussion with the Scottish Commission for Public Audit (SCPA), and explaining the year-to-year changes. Vicki Bibby also explained that staff costs were likely to increase due to the National Insurance changes in the UK Budget, but Audit Scotland expects to receive corresponding funding.

During discussion:

- Members discussed matters relating to travel time and expenses. Vicki Bibby clarified that the granular detail of these costs is not part of the budget submission to the SCPA.
- Jo Armstrong confirmed that the proposed budget reflects the current intention for the Commission to trial new meeting arrangements and other engagement activity.
- Members discussed expenses and subsequent tax implications. It was agreed Stuart Dennis would follow up on this with members.

Action – Corporate Finance Manager

Following discussion, the Commission:

- Noted the engagement process in relation to the Accounts Commission and Audit Scotland budget proposals for 2025/26
- Noted the current position in respect of the draft Audit Scotland 2025/26 budget proposal
- Agreed the Accounts Commission and Support budget for 2025/26.

12. Chief Operating Officer update

The Commission considered a verbal update by Vicki Bibby, Chief Operating Officer.

The update included:

- Reflection on the recent very positive Audit Planning Conference, including discussion about the complexity of local authority accounts and comparison between English and Scottish audit structures and the ambition to simplify Local Government accounts. Stephen Boyle provided reassurance that the Scottish Government supportive of the direction of travel to simply accounts.
- Update on the progress of the 2022/23 audits of East Dunbartonshire Council and West Dunbartonshire Council, and the likely impact on the 2023/24 audits. Vicki Bibby advised it is her intention to meet with auditors and council representatives in January to discuss 2024/25 audits, with an emphasis on partnership working moving forward.

- The upcoming meeting between the Commission and the Audit Scotland Board, in December, focusing on planning for the next Code of Audit Practice and the next audit procurement round.
- Confirmation that the renovation works in Audit Scotland's offices in Glasgow and Edinburgh are almost complete.

Following discussion, the Commission noted the update.

13. Auditor General update

The Commission considered a verbal update by Stephen Boyle, Auditor General for Scotland.

During discussion:

- The issue of 'whole system' thinking and multi-agency working was discussed, including the complexity and how well current approaches to audit can capture this. Stephen Boyle advised he is keen to explore how to best reflect the overall experience of living and using services in a particular area, and that an incremental approach may be needed in order to be achievable and manageable. He also said he is satisfied that current arrangements in terms of the shared Code of Audit Practice and shared work programme support the management of audit priorities.
- Members asked about public service reform and whether current funding arrangements achieved the best value for money. Stephen Boyle referred to his upcoming report on reform and fiscal sustainability, and the potential role of a future spending review. There was also discussion about the importance of the role of the Commission and its reporting in relation to scrutinising, supporting and communicating about public service reform.
- Stephen Boyle provided an update on his upcoming work programme and discussed the role of audit and how it can assist in a move to preventative spending rather than reactive.

Following discussion, the Commission noted the update, and the Chair thanked the Auditor General.

14. Proposed approach to community health and social care reporting

The Commission considered a paper by Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), on proposals for reporting in 2025 on finances, performance and thematic issues in community health and social care.

During discussion,

- Members agreed with the approach of producing 2 outputs (one from the Commission only and one jointly with the Auditor General), commenting that separating out the different aspects of reporting as proposed was helpful. Members also asked about incorporating lessons learned from previous reports about community health and

social care, and whether particular authorities would be highlighted as positive or negative as part of the data output.

- Members asked about the different configuration of Integration Joint Boards (IJBs) in terms of which services they are responsible for. The audit team confirmed that performance reporting will focus on adult social care services, for consistency.
- Kathrine Sibbald advised that the joint report will allow fuller coverage of the flow of people and resources through the whole system, and others agreed that carrying out a joint audit with the Auditor General offers strong potential to take a whole-system view and produce an impactful output.
- On delayed discharges, members asked about the resource and performance implications of delayed discharges, and putting a focus on preventative measures to help people avoid being admitted to hospital in the first place. Angela Leitch, as one of the sponsors, explained that the focus on delayed discharges could be a means of addressing many of the related factors that have been raised in this and other discussions.
- Jennifer Henderson highlighted the role of unpaid carers in supporting the system and suggested that this is considered as part of the scope.

Following discussion, the Commission:

- Agreed the proposal for reporting on the financial health of IJBs as a data output and accompanying blog
- Approved the outline scope for the financial product and agreed to delegate the final sign-off of the scope documents to the sponsors
- Agreed the proposal for reporting on performance and outcome information in a performance data output
- Agreed the proposal to undertake a joint performance audit to consider in detail the issue of delayed discharges
- Noted that the scope and Issues and investigation matrix for the performance and thematic work will be brought to a future Commission meeting for its agreement

15. Proposed approach to local government overview reporting

The Commission considered a paper by Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), on proposals for the next iteration of the Commission's multi-output approach to local government overview reporting.

During discussion:

- Carol Evans asked about the approach to reporting on transformation and the potential for overlap between the spotlight report and the Commission's other reporting. Blyth Deans acknowledged the need to weave transformation through the overview programme and noted the Best Value thematic work on transformation to be carried out as part of the 2024/25 audits, with a national report due in 2026.

- Mike Neilson asked about ensuring the analysis of budgets including the Scottish budget is as up to date as possible. Alison Cumming explained that an internal analysis of the Scottish budget will be produced and agreed that this should be completed as early as possible. However, Derek Yule referred to timescales for briefings and reporting, and that it can be better to focus on individual council budgets rather than the initial announcement of the local government settlement as a whole.
- Members discussed the issues of delays and inconsistencies in audited accounts and other information from councils. Alison Cumming noted that the audit team preparing the financial bulletin were experiencing significant issues with the timely receipt and quality of data returns requested from auditors and local authorities, and the impact of these issues would be discussed further with sponsors.
- Members suggested the scope for the spotlight report should come to the Commission for approval. Blyth Deans advised that the team would consider this including the means and timing for doing so, potentially via correspondence, noting that it may slightly delay the audit process. Christine Lester suggested libraries as a possible service focus for the spotlight report.
- Andrew Burns highlighted that he and other members could make more use of the available sources of information, particularly if members were prompted to view documents when they are added to the Commission SharePoint site. Christine Lester added that members and colleagues could make more use of Teams for communication between meetings.
- Derek Yule asked for clarification on the definition of short, medium and long terms. Martin McLauchlan confirmed that the audit team consider short term as up to 3 years, medium term as 3-5 years, and long term as more than 5 years. Martin McLauchlan added that audit work finds many long-term financial plans don't have detailed forecasts, so more focus is placed on medium-term plans. The team has consulted with Directors of Finance and asked them about their financial plans.
- Blyth Deans confirmed that Derek Yule and Mike Neilson will be sponsors for the Financial bulletin and Council budgets briefing, with sponsors to be confirmed for the spotlight report, dependent on the subject matter and member availability. Jo Armstrong as Chair will have an oversight role across all overview products. Monthly meetings of overview sponsors are also to be arranged, subject to members' availability.

Following discussion, the Commission:

- endorsed the revised local government overview reporting programme as outlined in the paper
- approved the proposed scope of work and governance arrangements for the programme of work as described in appendices 1 and 2 of the report.
- approved the draft Local government in Scotland flyer (appendix 3) to be published online
- noted that it was previously agreed that there would be a wider review of the approach to local government overview reporting in 2025.

16. Sustainable transport performance audit: draft report

The Commission considered the draft performance audit report on ‘Sustainable transport – reducing car use’, and the publication and Committee arrangements.

During discussion:

- Alison Cumming provided an update on the Scottish Government ‘roadmap’ on sustainable transport, which is now due in the new year in the form of a joint roadmap with COSLA. Alison noted that this is now after the performance audit report is to be published, but that the audit team understands there are no significant changes and therefore no material impact on audit conclusions.
- The team was asked whether the Scottish Government and other public bodies have reduced their own car miles, to lead by example. The team has seen some evidence of practice being embedded within the public sector, for example a climate change strategy within the NHS, and the roadmap sets out future targets.
- Mike Neilson suggested that the first recommendation on alignment with carbon budgeting should more clearly draw out the contribution that the target is expected to make to achievement of the statutory carbon emission targets.
- Members discussed whether the events referenced in paragraph 26 could be said to have contributed to delays in making progress, as they are all recent. The sponsors also reflected on potential mixed messages from different levels of government. Members emphasised the significance of the report findings on a lack of leadership.
- Members also discussed the obstacles and lack of incentives for people to switch from cars to public transport, particularly compared to other countries. The audit team explained that policymakers are aware of obstacles, some of which are outside of their control, as well as cultural and behavioural aspects.
- Andy Cowie raised the issue of rurality, and the challenges associated with it. Specifically, under employment and the requirement to have private transport to travel to lower paid jobs due to public transport challenges.
- The potential for removing the need for travel, for example through more remote working, was also discussed, specifically the funding for the roll out of superfast broadband. Related to this, the audit team advised the report reflects the consequences of having several separate funding allocations – thus its messages could also apply in other areas.
- Jo Armstrong queried whether the value-for-money aspects could be brought out more clearly in the report. Alison Cumming explained that there is appetite for value-for-money work on transport, but this would need to be discussed with the Auditor General.
- The timing and potential impact and influence of this report was raised, in light of the delay to the roadmap. Alison Cumming explained that the audit team has already engaged with the Scottish Government and Transport Scotland, with further contact to follow as part of the established clearance process.

Following discussion, the Commission approved the draft report and agreed the publication and parliamentary arrangements as set out in the cover paper.

17. Audit quality interim report 2024

The Commission considered a report from Owen Smith, Director of Audit Quality and Appointments (AQA), presenting the results of AQA's work from 1 April 2024 to 1 October 2024 to monitor and review audit quality as required by Audit Scotland's Audit Quality Framework (AQF).

During discussion:

- Members queried audit delivery, with local government shown to be the sector with the lowest rate of accounts being signed off by the target date and queried the reference to prioritisation of audits. Owen Smith explained that local government accounts are the most complex, with valuation and pension funds adding further complexity, and that the reference to prioritisation is around focusing resources to deliver audits in line with strategic and other requirements.
- Derek Yule asked about the level of consistency between different auditors of the same bodies or on the same issues, when auditors are rotated. Owen Smith explained that rotating auditors is good practice and is a strength of the system, but that there are sometimes differences of approaches between Audit Scotland and firms, especially regarding valuations, which are managed closely by AQA.
- Following discussion, the Commission noted the contents of the interim report and that a further report on 2023/24 audit work will be brought to the Commission in June 2025.

18. Audit Quality Framework

The Commission considered a draft of Audit Scotland's new Audit Quality Framework (AQF).

During discussion:

- Mike Neilson asked about the balance between assessment of the quality of Best Value reports and the quality of performance audit reports. Owen clarified that Best Value Assurance Reports have been removed as they are no longer produced, with other changes to reflect the integrated approach to financial and best value audit. As BV is now integrated into the financial audit it will be captured in both internal and external quality reports on the annual audit. It was suggested that this could be addressed more explicitly in the framework, to explain the change of approach and its implications, and to avoid a sense of Best Value having been 'dropped' or removed.
- Carol Evans asked about the change from the '3 lines of assurance' model to using FRC headings and queried the audit quality indicators 6-9 which appeared to be repetitive. Owen Smith explained the rationale for the change and gave reassurance about the 'read-across' from the old to the new model. Owen Smith also explained that indicators 6-9 cover internal reviews and external reviews separately.

Following discussion, the Commission:

- noted that under the Partnership Working Framework, the AQF requires to be jointly approved by the Auditor General for Scotland, the Accounts Commission and Audit Scotland's Board
- approved the draft AQF subject to consideration of any substantive points made
- gave the Chair of the Commission the authority to approve the AQF at Audit Scotland's Board on 26 November 2024.

19. Any other private business

Jo Armstrong discussed with members that the accounts Commission meetings for January and February would take place online only. Members agreed with the reasoning behind this and welcomed the opportunity to look at holding meetings outside of the central belt to demonstrate the Commission's commitment to the whole of Scotland.

The Chair, having advised that there was no further business, closed the meeting.

Close of meeting

The meeting closed at 15.45.

Purpose

1. The purpose of this paper is to introduce the Controller of Audit's report on 'Council tax refunds – a significant fraud', produced following the 2023/24 audit of Aberdeen City Council. The paper also provides background and procedural information to assist the Commission in its consideration of the report.

Recommendations

2. The Commission is invited to:
 - consider the Controller of Audit's report
 - approve the proposed publication arrangements
 - decide how it wishes to proceed.

Background

3. The 2023/24 Annual Audit Report (AAR) for Aberdeen City Council was considered by the council's Audit, Risk and Scrutiny Committee on 27 June 2024, and was subsequently published by the council. The appointed auditor issued an unmodified opinion on the accounts – that is, the financial statements are free from material misstatement.
4. The auditor reported on a significant fraud identified by the council in September 2023. A former employee had diverted fraudulent payments totalling £1.109 million to his own bank accounts over a period of 17 years. Having pleaded guilty to criminal charges of embezzlement, the perpetrator received a four-year prison sentence at the High Court in Edinburgh in July 2024.
5. Full details of the background to the case are provided in the Introduction to the report.
6. Having reviewed the AAR, the Controller of Audit decided to use her reporting powers to bring this issue, and the council's response, to the Commission's attention.

The Controller of Audit's report

7. This report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
8. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;

- any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
9. A copy of the report was sent to Aberdeen City Council by the Controller of Audit on 4 December 2024 (the same day it was issued to Accounts Commission members). The council has been advised that it is obliged to supply a copy to each member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the council it is effectively in the public domain.

Procedure

10. The Commission will note that this report is made under the same legislation as the recent reports on best value. The process outlined below is therefore the same.
11. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
- direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
12. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.
13. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
14. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the council of its decision, which the Commission does before making the decision public.
15. If the Commission decides to make findings, the council is required by statute to do the following:
- consider the findings of the Commission within three months of receiving them
 - publish in a newspaper circulating in the local area a notice stating the time and place of the meeting, indicating that it is to be held to consider the findings of the Commission and describing the nature of those findings (at least seven days before the meeting)
 - after the council has met:
 - notify the Commission of any decisions made
 - publish in a newspaper circulating in the local area a notice containing a summary, approved by the Commission, of the council's decision.
16. The Commission asks the council for a meeting, preferably in the period between the Commission publishing findings and the council considering them, to do the following:

- for Commission members to hear what the council thinks of their findings
- to discuss what the council will do with the findings
- to confirm any next steps
- to review the audit process.

17. If the Commission decides to hold a hearing, arrangements and processes are largely down to the Commission to decide. Hearings are rare (the last was in 2010). As noted above, the Commission could make findings and then hold a hearing (actions can be taken in “any order”). But it would be more likely to hold a hearing to inform findings. The circumstances in which the Commission might wish to hold a formal hearing are likely to include:

- where the Commission has serious concerns about the performance of a council as demonstrated in the audit report
- where the Commission considers that its findings would be better informed by hearing directly from the local community and the council
- where there is a strong difference of opinion between the Controller of Audit and the council.

Publication arrangements

- 18.** Whether or not the Commission chooses to make findings, and irrespective of whether it decides to hold a hearing or request further work, the Controller’s report (which is already in the public domain) will be ‘formally’ published as soon as is practicable after the meeting.
- 19.** Ordinarily this would be within two to three weeks, but due to the festive holiday period coinciding with this timescale, it is proposed that this report will be published on Thursday 9 January 2025. Publication of the report will be accompanied by the usual news release and media activity.

Conclusion

- 20.** The Commission is invited to:
- consider the Controller of Audit’s report
 - approve the proposed publication arrangements
 - decide in private how it wishes to proceed.

The 2023/24 audit of Aberdeen City Council

Council tax refunds - a significant fraud

ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
December 2024

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Accessibility

You can find out more and read this report using assistive technology on our website www.audit.scot/accessibility.

Introduction

- 1.** The Code of Audit Practice requires auditors to produce an Annual Audit Report (AAR) summarising the significant matters arising from their audit work. For local authorities, auditors address the AAR to elected members and the Controller of Audit.
- 2.** I have reviewed the 2023/24 AAR for Aberdeen City Council (the council) from the appointed auditor, Michael Oliphant (Audit Services Group, Audit Scotland). The auditor's AAR was considered by the council's Audit, Risk and Scrutiny Committee on 27 June 2024. The auditor issued an unmodified opinion on the council's 2023/24 annual accounts.
- 3.** The auditor reported on a significant fraud identified by the council in September 2023. A former employee had diverted fraudulent payments totalling £1.109 million to his own bank accounts over a period of 17 years. Having plead guilty to criminal charges of embezzlement, the perpetrator received a four-year prison sentence at the High Court in Edinburgh in July 2024.
- 4.** I have decided to use the reporting powers available to me under s102 (1) of the Local Government (Scotland) Act 1973 to bring this issue, and the council's response, to the Commission's attention.

Background

- 5.** The perpetrator identified council tax accounts with historic credit balances and used their unsupervised authority to issue council tax refunds of up to £3,000, to divert refunds to themselves, often on a weekly basis.
- 6.** There was no major impact on the financial statements during this period, covering financial years 2006/07 to 2023/24 and the payments did not represent a material misstatement in any given year. There was no impact on the council's budget as the amounts were taken from balances held by the council on behalf of taxpayers who had made overpayments on their council tax accounts. Nevertheless, the funds were held for safekeeping by the council who will need to manage any associated reputational risk and ensure credit balances are restored. The council has reached agreement with the perpetrator to recover funds. In addition, a claim to the council's insurers is currently under negotiation but is expected to cover the remainder of the loss.
- 7.** There were failures in controls within the council that allowed this fraud to continue over a prolonged period. In particular, a lack of segregation of duties and monitoring in relation to council tax refunds allowed the perpetrator to transfer balances between council tax accounts, input bank account details and process refunds without any further checking of processing.

Timeline of key events

Date	Event
1 November 2006 – 6 September 2023	Perpetrator processed 655 payments to himself totalling £1.109 million.
12 September 2023	Staff member identified and investigated an irregular transaction on a council tax account and raised the entry with the perpetrator. The perpetrator subsequently repaid the queried amount into the council tax standing order bank account.
13 September 2023	The perpetrator contacted staff member to discuss irregular transaction but staff member was not convinced by the explanation offered.
14 September 2023	The perpetrator reversed all entries relating to the last embezzlement transaction.
14 September 2023	Staff member investigated further and raised with Council Tax and Recovery Manager. Senior revenues staff and the council's counter-fraud team advised.
15 September 2023	The perpetrator was suspended (under a precautionary suspension) and all access to buildings and computer systems was disabled.
21 September 2023	Counter-fraud team contacted Police Scotland following initial investigation.
21/22 September 2023	Chief Officer – Finance advised members of the Corporate Management Team, Internal and External Audit. Director advised Councillor Malik (Audit, Risk and Scrutiny Committee Convener) and Councillor McLellan (Finance and Resources Committee Convener).
September/ October 2023	Chief Officer – Finance undertook review of systems and processes. Improvement plan produced.
26 November 2023	The perpetrator was arrested and charged by Police Scotland.
12 December 2023	A formal disciplinary meeting was held and the accused was dismissed.
21 December 2023	All elected members advised of the matter and the upcoming court appearance.
12 February 2024	Report to Audit, Risk and Scrutiny Committee.
17 April 2024	Follow up report to Full Council.
June 2024	The High Court in Edinburgh found perpetrator guilty of embezzlement of £1.109 million from the council. He was later jailed for four years.

Date	Event
July/September 2024	Internal Audit requested to review the implementation of the service's improvement plan. A review was undertaken and reported to management in September 2024.

Council tax – accounts in credit

8. The council administers the council tax database which includes approximately 124,500 properties and raises annual income in excess of £100 million ([Exhibit 1](#)). The database requires to be regularly updated for changes in taxpayers' circumstances such as changes in address or other household details. The council offers taxpayers a number of payment options although direct debit is the most popular.

9. Unpaid income is collectable for all prior years and the council pursues outstanding debts for all years until they are either paid or identified as uncollectable. Over the last 17 years, approximately £2 billion of council tax income was administered and collected.

Exhibit 1

Council Tax credit balances as a percentage of Council Tax

Year	Council Tax billed (net of discounts) £000	Credit balances at year end £000	Credits as a percentage of Council Tax billed
2023/24	139,111	366	0.26%
2022/23	130,850	441	0.34%
2021/22	126,185	482	0.38%
2020/21	123,777	454	0.37%
2019/20	120,282	281	0.23%
2018/19	113,871	376	0.33%

Source: Aberdeen City Council Audited Accounts and Council Tax Reports

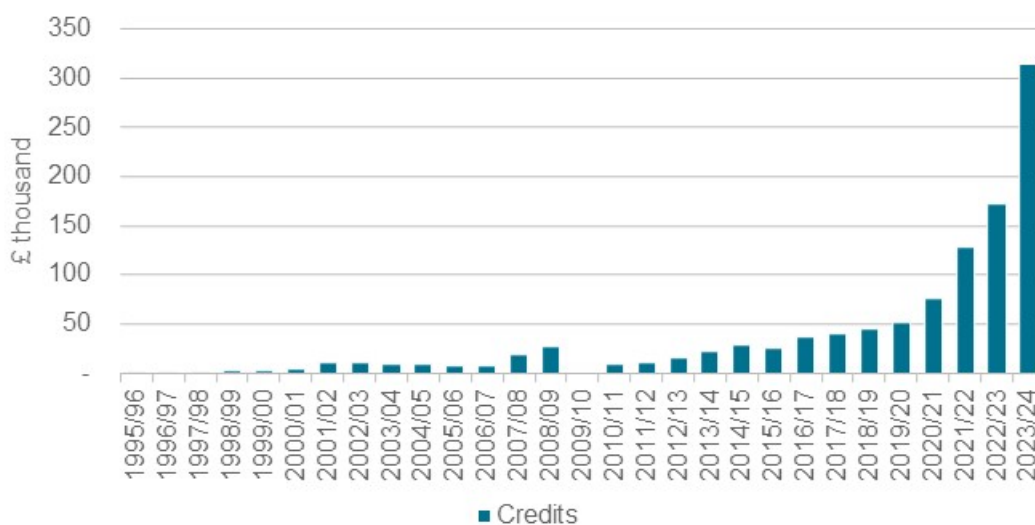
10. At 31 March 2024, the cumulative value of accounts in credit covering all council tax years was £1.2 million. This comprised 6,600 accounts of which 95 per cent had balances less than £500. [Exhibit 1](#) also gives an indication of the relatively small scale of council tax credit balances when compared with the amount of council tax billed each year. In general, the balances on these accounts are less than 0.5 per cent of billing totals. For example, with reference to financial year 2021/22, council tax billed amounted to £126.185 million while accounts in credit for that financial year were £482,000 at 31 March 2022.

11. There is no single reason for an account to be overpaid (in credit) but many will arise from a change in address where the taxpayer has not provided a forwarding address. When a taxpayer changes address within

the city area, any credit balance is transferred to the new council tax account. If the move is outwith the city, a refund is required. Prior to 2006, this was dependent on taxpayers getting in touch to request a refund. As most amounts are small, this generally did not happen. In 2006, the council introduced a policy to automatically refund paying bank accounts for any overpayments which had arisen by direct debit. [Exhibit 2](#) shows the age of the historical balances held by the council at 31 March 2024 on behalf of taxpayers.

Exhibit 2

Age of credit balances at 31 March 2024



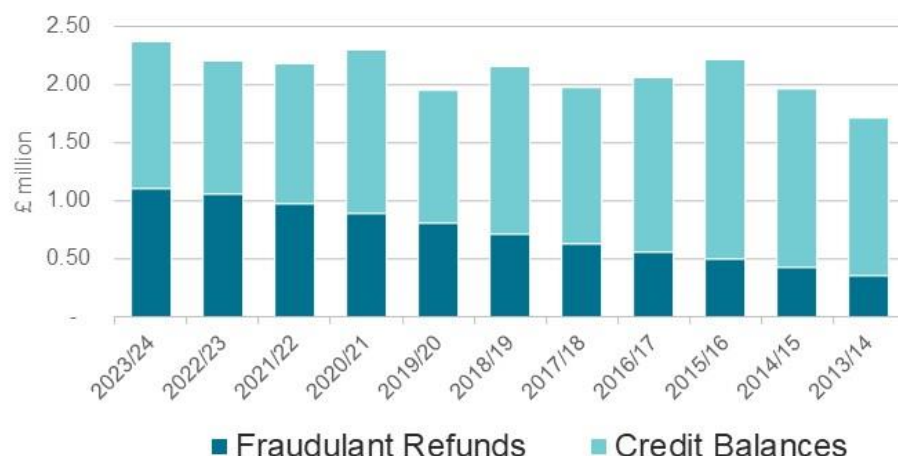
Source: Aberdeen City Council Reports

12. Where bank details are not held or an address is not known, the council sends a letter to the property address to enable a letter to be forwarded should a mail redirection be in place. There is no time limit for a taxpayer to make contact and seek a refund.

Scale of embezzlement

13. A total of 655 payments amounting to £1.109 million and involving an estimated 5,700 council tax accounts were made to the embezzler's bank accounts over a 17-year period between November 2006 and September 2023.

14. The total value of the accounts in credit at 31 March 2024 was approximately £1.2 million. Had funds not been withdrawn inappropriately, the level of balances would be £2.4 million. [Exhibit 3](#) shows the combined total of the balances on the accounts in credit for recent years with the amounts embezzled.

Exhibit 3**Cumulative fraud and credit balances**

Source: Aberdeen City Council Reports

15. Exhibit 4 provides details of the fraudulent refunds made including the total and average values and the number of refunds on an annual basis.

Exhibit 4**Council tax fraudulent payments – number and value by financial year**

Year	Value of fraudulent refunds per year (£)	Number of refunds	Average Value (£)
2023/24	46,921	16	2,932
2022/23	82,836	29	2,856
2021/22	90,307	31	2,913
2020/21	74,368	26	2,860
2019/20	94,835	36	2,634
2018/19	87,166	33	2,641
2017/18	69,809	26	2,685
2016/17	62,331	25	2,493
2015/16	67,659	31	2,182
2014/15	78,970	38	2,078
2013/14	67,306	38	1,771
2012/13	55,114	40	1,378
2011/12	56,602	46	1,230
2010/11	46,925	57	823
2009/10	32,878	44	747
2008/09	45,499	75	607
2007/08	41,335	53	780
2006/07	8,413	11	765
TOTAL	1,109,274	655	

Source: Aberdeen City Council Reports

16. The perpetrator, as a team leader, had authority to process refunds for amounts between £500 and £3,000. Accounts in credit are mainly smaller amounts and therefore the perpetrator needed to collate a number of balances together in a single council tax account to produce a total amount in the range he could authorise which were then processed as a refund to his own bank account.

17. Identification of the embezzlement was the result of an officer routinely checking arrears recovery reports with the council tax computer system. Multiple transfers were noticed on an account in credit and not being satisfied with the explanation received from the perpetrator, as team leader, the officer referred the matter to a more senior officer. The perpetrator was promptly suspended thereafter and investigations commenced.

Strengthening the council's internal controls

Council tax refunds

18. The perpetrator was a team leader in the council tax team which forms part of People and Citizens services within the Corporate Services Directorate. While the service and job titles have been restructured on several occasions over the years, the individual held this, or similar roles, within council tax administration since 1988. Key responsibilities included:

- supervising council tax and recovery administration
- ensuring documentation is accurate and issued on time
- contacting customers by means of writing, telephone and visits
- undertaking quality checks on council tax and recovery administration
- recording performance and producing reports.

19. As part of the team leader role, the individual could authorise refunds of between £500 and £3,000. There were controls in place (as described in [Exhibit 5](#)) which required team leaders to involve another team leader in checking and processing refunds to ensure adequate segregation of duties. While the procedures existed, there were no checks to ensure they were adhered to. It was therefore possible for the perpetrator to process refunds without anyone else being involved. Failure to implement controls enabled an abuse of authority which when combined with a detailed knowledge of council tax administration, obtained over many years of employment, provided the opportunity to withdraw funds inappropriately.

20. Given the number of accounts affected and the number of transfers between accounts for each fraudulent payment, the perpetrator required a degree of planning and fore thought to select council tax accounts, process transfers between accounts and make payments.

Exhibit 5

Council's existing controls for processing refunds

Level	Processing
Tier 1 - Refunds up to £500	Council Tax team members have the authority to input bank details and process refunds to customers.
Tier 2 - Refunds between £500 and £3,000	Council Tax Team Leaders, to carry out their role, have the authority and system access to input bank details and process refunds to customers without any scrutiny.
	Council Tax team members pass the refund to a Team Leader for checking and processing by the Team Leader on Capita One Revenues & Benefits. Refunds created by Council Tax Team Leaders must be passed directly to another Team Leader for checking and processing.
Tier 3 - Refunds over £3,000	Council Tax and Recovery Manager, to carry out their role, has the authority and system access to input bank details and process refunds to customers without any scrutiny.
	Refunds created by Council Tax team members are passed to Team Leaders for checking and the refund is then passed to Council Tax and Recovery Manager for processing. Refunds created by a Council Tax Team Leader, are passed directly to Council Tax and Recovery Manager for checking and processing by the Council Tax and Recovery Manager.

Source: Aberdeen City Council Reports

21. Managing accounts in credit did not feature as a high priority within the council's internal control systems. The amounts involved were small and, initially, any refund depended on a taxpayer seeking a request. In addition, once automatic direct debit payments were available, it was expected many overpayment issues would be resolved.

22. Controls were in place in the form of authority limits. There were no exception reports for this area of work and reports of refunds paid were not routinely run or reviewed. Had this been the case, the embezzlement would have been identified much earlier. An average council tax bill is currently around £2,000 to £3,000 per annum and while an occasional refund of a whole year's council tax might arise, several refunds of this scale every month would have attracted attention.

23. At 31 March 2024, there were only 105 accounts ([Exhibit 6](#)) with credit balances over £1,000. By comparison, there were 16 fraudulent refunds in 2023/24 with an average value of £2,932 ([Exhibit 4](#)).

Exhibit 6**Council Tax credit balances at 31 March 2024**

Year	Number	%
£0 to £500	6243	95
£500 to £1,000	245	4
£1,000 to £1,500	49	1
£1,500 to £2,000	27	-
£2,000 to £2,500	12	-
£2,500 plus	17	-
Total	6,593	100

Source: Aberdeen City Council Reports

The internal control environment

24. In the public sector, there are recognised fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

25. Auditors aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes their opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

26. Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

27. As part of the financial statements audit, the external auditor regards council tax income as a material financial system and considers the key controls in place. This focuses on the key aspects of the income accounts including billing (including discounts and exemptions), collection and the adequacy of the provision for non-collection to ensure that council tax income is not materially misstated.

28. When planning audit assignments, internal audit consider:

- the significant risks to the activity's objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level
- the adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model.

29. Internal audit routinely undertake audits of council tax administration. The scope might focus on one aspect of administration or take a wider view across the service. The last audit which included some consideration of refunds was a review of council tax billing carried out in 2016. This included samples of reliefs, payments and refunds. In respect of refunds, the auditor reported that the sample was correctly calculated, supported by appropriate documentation, authorised and refund payments had been made to the correct bank accounts.

Improvements in the council's internal controls

30. The council was quick to respond once the suspected fraudulent activity was brought to officers' attention. Internal counter-fraud officers undertook initial enquiries before referring the matter to Police Scotland. Disciplinary proceedings were quickly enacted. This resulted in the individual pleading guilty to the embezzlement of funds and receiving a prison sentence.

31. The Chief Officer – Finance undertook a review of the systems and processes operating around accounts in credit and refunds and provided the Audit, Risk and Scrutiny Committee with an update in February 2024. Immediate action was taken in October 2023 to strengthen segregation of duties between processing and approving refunds and inputting bank details.

32. An improvement plan was prepared by the service covering council tax refunds and wider banking and supplier payment controls. Ten actions were identified for which prompt steps were taken to implement five and the remainder, with one exception due in July 2024, were prioritised for implementation by December 2024. Given the passage of time since the fraud was identified, the inclusion of interim milestones would have been helpful to maintain focus and demonstrate progress.

33. The council's officer-led risk board monitored progress with the actions between March and October 2024. This responsibility has now passed to a Task and Finish Group which has recently been convened to oversee completion of the actions and provide assurance to the corporate management team. Membership includes a range of finance, council tax and governance officers.

34. In July 2024, the Chief Officer – Finance sought assurance that key control weaknesses had been addressed and engaged internal audit to assess progress with implementation and offer further

considerations to strengthen the framework. Work has been undertaken to address the improvement actions identified by the service. In some cases, the associated controls have yet to be embedded in a way that fully addresses the issues identified. The chief internal auditor also identified a number of additional system-wide risks and made further recommendations.

35. In the chief internal auditor's view, most actions were therefore only partially complete with some expected to take longer than the target dates previously reported by the service. The Task and Finish Group have recently taken ownership of the improvement plan including the additional recommendations and now need to increase momentum by prioritising the additional recommendations and allocating clear responsibilities and timescales for action.

Lessons for others

36. While the fraud was complex, weaknesses in the council's internal controls facilitated the fraud and meant that it was not detected for some time. In particular, the council had controls in place but there was no scrutiny to ensure the effective operation of these controls. All councils should consider whether the following fundamental internal controls are operating effectively:

- **segregation of duties:** ensuring access to systems are restricted to appropriate levels (to negate the possibility of individuals processing transactions all the way through the payments process).
- **reconciliations:** ensuring feeder systems are effectively reconciled to other systems (e.g. general ledger); using third party information (suppliers' statements) and reconciling with payment systems.
- **system documentation:** system documentation should be maintained which details key controls to be carried out by staff to prevent fraud or error.
- **monitoring:** scrutiny monitoring should be at a level that would allow managers to identify anomalous payments at an early stage.
- **counter-fraud arrangements:** refresh and promote the counter-fraud policy with staff.

37. The processes around the annual governance statement also provide a useful opportunity for councils to take stock of the key controls and processes in place and whether self-assessment processes are sufficient to provide elected members and officers with the required assurances.

The council's response to taxpayers

38. The council is acutely aware that accounts in credit balances belong to taxpayers and that the funds are held for safekeeping by the council. The priority for the council has therefore been to make sure that the individual council tax accounts affected were corrected and credit balances reinstated.

39. Since February 2024, there has been ongoing work to identify all accounts affected by the embezzlement. So far, around 1,400 accounts (25%) have been identified from the estimated 5,700 accounts affected.

40. At this stage, no attempt has been made to contact taxpayers and no refunds have been made. There are practical challenges of providing a refund to taxpayers often years after the event, who had not already been located at the time.

41. The council intends to try to establish contact with the relevant taxpayers and where this is not possible, revised procedures for managing accounts in credit will be applied. When there is no response to follow up correspondence, a credit balance will be cleared by writing the amount back in the council tax system. Should a taxpayer ever identify themselves to the council in the future however, the money remains available for repayment.

42. Provision was made in the 2023/24 annual accounts for the loss of funds. The council expects to recover the loss through a combination of cash from the pension of the perpetrator and a claim on the council's insurance.

Conclusions

- 43.** There were failures in controls within the council that allowed this fraud to continue over a prolonged period. In particular, a lack of segregation of duties and monitoring in relation to council tax refunds allowed the perpetrator to transfer balances between council tax accounts.
- 44.** Controls exist to safeguard both the employees and the employer. In this case, failure to implement controls enabled an abuse of authority which, when combined with a detailed knowledge of council tax administration, provided the opportunity to withdraw funds inappropriately.
- 45.** In totality, the scale of the fraud was significant. There was no major impact on the individual financial statements from 2006/07 to 2023/24 and the payments did not represent a material misstatement in any given year.
- 46.** The amounts were taken from balances held by the council on behalf of taxpayers who had made overpayments on their council tax accounts. The council recognises its safeguarding role, and to date, has identified around 25 per cent of the accounts affected. No attempt has yet been made to contact taxpayers and make refunds.
- 47.** Once an irregular transaction was identified in September 2023, the council acted quickly to deal with the individual, the situation and take corrective action. Key controls such as segregation of duties were promptly revised and an improvement plan of prioritised actions was developed. Good progress has also been made with processes to recover lost funds.
- 48.** Work was undertaken to address the improvement actions identified by the service but some of the associated controls have yet to be embedded in a way that fully addresses the issues identified. Management requested internal audit review progress being made against the improvement plan and consider controls to further strengthen the framework around accounts in credit and refunds. A number of additional system-wide risks were duly identified and further recommendations were made.
- 49.** In the chief internal auditor's view, most actions were therefore only partially complete with some expected to take longer than the target dates previously reported by the service. The Task and Finish Group have recently taken ownership of the improvement plan

including the additional recommendations and now need to increase momentum.

50. The council generally has a sound system of internal controls in place but should take the opportunity to undertake a risk assessment of its wider internal control and counter-fraud arrangements and use the annual governance statement process to review its self-assessment arrangements across services.

The 2023/24 audit of Aberdeen City Council

Council tax refunds - a significant fraud



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit.scot
www.audit.scot

Purpose

1. This regular report provides updates on notable recent activity relating to local government. Similar updates are provided through the Weekly Digest, sent to members by Audit Scotland's Communications Team and available via the [members' SharePoint site](#).

Recommendations

2. The Commission is invited to:
 - Note this report and consider any implications for its work programme

Recent publications and engagement

3. Below are details of media coverage and engagement for recent Commission publications.
 - **Best Value in City of Edinburgh Council** (24 October 2024)
 - Media: see November report.
 - Social media: 3,000 views, 1,000 video views, 325 engagements, 60 link clicks. Notable shares: Jim Slaven (prominent community activist), EVOC (third-sector representative body), Cockburn Association, councillors and a community council.
 - Downloads: 310 in first 8 days plus 220 in November. *Comparison: Borders below.*
 - **Alcohol and drug services** (31 October 2024)
 - Media: BBC Good Morning Scotland, STV News bulletins; [STV News](#), [Daily Record](#), [Herald](#); *Print*: Daily Record, Herald, Daily Mail, The Sun, Courier, Press & Journal.
 - Social media: 12,500 views, 1,000 video views, 200 engagements, 50 link clicks. Notable shares: Alcohol Focus Scotland, Scottish Health Action on Alcohol Problems, Prof James Mitchell, Jim Savege, and other well-followed sector leaders.
 - Downloads: 590 on first day plus 1,200 in November. *Comparison – Digital exclusion: 675 in first 10 days.*
 - **Best Value in Scottish Borders Council** (28 November 2024)
 - Media: Interviews with BBC Scotland, Good Morning Scotland and STV News. Local media coverage including [Border Telegraph](#) and [Southern Reporter](#), plus [Scottish Housing News](#), but no coverage via national papers or news websites.
 - Social media: 3,400 views, 650 video views, 150 engagements, 50 link clicks. Notable shares: Cllr Euan Jardine, Murdo Fraser MSP, Improvement Service.
 - Downloads: 220 in first 3 days. *Comparison: Edinburgh above.*

Media and Parliamentary monitoring

4. The Accounts Commission and its reports were cited in Parliamentary debates and reports in the lead-up to the Scottish Budget.
 - In [Finance Questions on 30 October](#), the Cabinet Secretary for Finance and Local Government, Shona Robison, cited the Accounts Commission as well as the Scottish Parliament Information Centre in support of her claims that the Scottish Government provided a real-terms increase in funding to local government in 2024/25, to £14 billion, and that this represented an increasing share of the Scottish Budget. This was in response to questions about councils being “underfunded”, in “crisis”, at risk of being “unable to set a budget” and “at breaking point”.
 - In [Finance Questions on 20 November](#), Richard Leonard noted the Commission’s projection that local government budget gaps will rise to £780 million by 2026-27, and its finding that Integration Joint Boards had a funding shortfall of £357 million last year, up 187 per cent on the previous year. Ms Robison again cited the Commission, stating local government had received a real-terms increase in funding in the Scottish Budget this year and in each of the previous two years. Ms Robison acknowledged budget pressures, faced across the public sector, and said the Scottish Government will work with COSLA to ensure local authorities receive a fair settlement.
5. On 5 November, the Convener of the Local Government, Housing and Planning Committee wrote to the Cabinet Secretary for Finance and Local Government, Shona Robison, providing the [outcomes from the Committee’s pre-budget scrutiny](#). The Commission was referenced several times in the letter, including in relation to net debt, reserves, ring-fencing, multi-year budgeting, public service reform and transformation, and comparisons with English local government finance. Key points in the letter are provided in Appendix 1.

Local and Scottish government finance issues

6. At the November meeting, I provided a verbal summary of the implications for Scottish local government of the UK Budget announced by the Chancellor on 30 October. An updated written version of this summary is provided in Appendix 2.
7. The Scottish Budget was announced by the Finance Secretary on 4 December – after this report was produced. Members will have seen media reporting in the interim, Audit Scotland colleagues are providing a summary for members ahead of the Commission meeting, and I will provide a verbal summary of key points for local government at the December meeting. Useful sources of analysis elsewhere include the [Scottish Parliament Information Centre](#), the [Fraser of Allander Institute](#) and the [Institute for Fiscal Studies](#).
8. Ahead of the Budget, COSLA launched its lobbying campaign, ‘[Invest Locally in Scotland’s Future](#)’. The campaign focused on a number of ‘asks’, including no council tax freeze or cap, additional capital investment, funding to recruit and retain sufficient staff, tackling the housing emergency and supporting social care. COSLA said local government needed:
 - £14.573 billion of revenue funding – based on the 2024/25 revenue settlement plus policy commitments and a 5% uplift – and
 - £872 million for capital, including restoration of last year’s cut and a 23% uplift for inflation since 2020.

9. COSLA responded to the Scottish Budget announcement with a 'Budget Reality' report – available [via the COSLA website](#) – setting out its interpretation of the local government settlement set against what it said was required. Irrespective of the figures involved, the Budget Reality analysis is useful in illustrating the range of individual policy commitments for which specific funding is provided or required and hence the complexity of evaluating the level and trend of local government funding.
10. There has been a range of coverage of issues arising from councils' early budget proposals:
- [Aberdeenshire Council](#) is considering hiking council tax by up to 20%, ending flood protection activity and cutting school staff to help balance the books. The council is projected to be £26 million over budget for 2025/26, in the context of a revenue budget of £750 million in 2024/25. Other options include changes to the school estate, removal of council-provided early learning and childcare, and new operating models for leisure facilities. The council is asking residents to rank the proposals in order of priority, and indicate how much they would be willing to pay to protect vital services.
 - Meanwhile, the same council has faced criticism over the announcement by its leisure and culture arm, [Live Life Aberdeenshire](#), of plans to close 13 library buildings in the area by the end of this year, which local campaigners say they were not consulted on. The council has since said it “regrets” the handling of the news, and a final decision will be taken before the end of the current financial year, after community engagement about future library service provision. Neighbouring [Moray Council](#) has also consulted on plans to close seven libraries as part of a redesign of its library services.
 - [Dundee City Council](#) has produced more than 20 proposals it says could save around £6 million, including reducing the frequency of waste collection, closing swimming pools in five secondary schools, cutting funding for culture and leisure services or civic events, and ending grants to community organisations. Meanwhile, the council has agreed to a proposal by its leisure and culture trust, [Leisure and Culture Dundee](#), to close the city's only municipal golf course, but deferred a decision on whether to close a local tourist attraction. The savings will reduce the funding the council has to provide to the trust.
 - [Dumfries and Galloway Council](#) has decided to drop its plans to switch to a 4.5-day school week, following consultation with residents. The move was being considered as part of plans to modernise teaching provision, but teaching unions and a majority of parents were opposed. The council had also faced criticism of the consultation process, and an evaluation will be carried out to see if any lessons can be learned. Meanwhile, [Falkirk Council](#) is due to make its delayed decision on plans to reduce classroom hours on 12 December, with a report to councillors stating the change is necessary to avoid significant cuts to support services including for children with additional needs.
 - [Perth and Kinross Council](#) was set to approve a new budget strategy for the next three financial years which includes indicative council tax rises amounting to an extra £400 for a Band D property in 2027/28 compared to 2024/25. The council says an increase of £11.70 per month next year would raise more than £10 million “to protect health and social care, support children with additional needs and invest in tackling poverty”.

The above is a sample of recent news stories, which have all featured in the Weekly Digest. The Commission Support Team is collating a range of similar stories, as well as examples of council budget consultations and communications, [in the members' SharePoint site](#).

11. Prior to the Budget, in a [debate on fiscal sustainability](#), the Finance Secretary announced that the Scottish Government will publish a five-year 'sustainability delivery plan' in 2025. The plan will set out how the Government intends to "achieve and deliver sustainable public finances" by bringing together its action in relation to workforce, pay, public service reform, population and economic growth. Ms Robison said the plan "will build on the opportunity that we have in the upcoming UK spending review to move to a multi-year approach" and indicated that the Scottish Government could also produce a spending review next year.
12. In early November, COSLA offered a 'new pay protocol' to unions, as a supplement to the pay offer for local government staff, which Unison said included commitments to early engagement with unions on council budgets, a "credible" pay offer before 1 April each year, and talks on delivering a minimum hourly rate of £15 and reducing the working week. Unison consulted its members, who agreed to "conclude the 2024/25 process and move to substantial talks for 2025/26".

UK local government finance issues

13. The [National Audit Office \(NAO\)](#) has refused to sign off UK Whole of Government Accounts (WGA) for 2022-23 due to "severe backlogs" in English local authority audits resulting in inadequate assurance over material amounts throughout the WGA. This is the first time the NAO has ever issued a 'disclaimed' audit opinion on the WGA. Just one in ten local authorities in England submitted reliable formal accounts for 2022/23; of the remainder, just over half failed to submit any financial data, while the rest submitted information that had not been audited. Seven councils have failed to have accounts audited for five or more years.
14. The NAO says the UK Government is taking steps to address the backlog, including setting fixed dates by which each year's audits must be completed and effectively allowing councils to push through audited pre-2022-23 accounts without formal signoff, but that this is unlikely to allow the disclaimer on WGA to be removed for 2023/24. Ministers are also expected to abolish the Office for Local Government (Oflog), the body set up 18 months ago to scrutinise councils but which the new Government believes is inefficient and ineffective.
15. On 28 November, the UK Government published a [policy statement on local government finance](#), outlining its plans for local government funding in England next year as well as plans for longer-term reform to both funding and structures. The statement sets out a new "highly targeted" approach to funding, using deprivation as a proxy for need, including a new one-off £600m "Recovery Grant" of which some authorities will not receive any share. The Institute for Government has produced this [helpful summary of the policy statement](#).
16. The policy statement refers to the UK Government's "long-term vision for simpler structures" including the creation of "suitably-sized unitary councils". It has been reported that this [reorganisation of local government in England](#) will include abolition of district councils in some areas, replaced by unitary authorities, and some counties changing how they are run in exchange for more powers and more central government funding. Research suggests merging every two-tier council would save the taxpayer almost £3 billion over five years. The Government says it has consulted with councils and is only taking forward reforms in areas where they are actively supported. More details are expected soon.

Policy area updates

Health and social care

17. The Scottish Government announced another, indefinite delay to the National Care Service (Scotland) Bill. In a letter to the Health, Social Care and Sport Committee, Social Care Minister Maree Todd said the Government would not seek to start Stage 2 of the Bill on 26 November as planned, in order to allow further consideration of the views of stakeholders – many of whom, including COSLA, trade unions and other political parties, have withdrawn support for the Bill. It was widely reported that the Government was ‘abandoning’ Part 1 of the Bill – which would form the new service itself – which ministers did not deny. COSLA and unions welcomed that the Government was “finally listening” to them and reaffirmed their commitment to “reforms for which there is broad consensus”.

Communities and infrastructure

- 18.** New figures for the length of time taken to make [decisions on planning applications](#) show that average decision times are higher than they were before the Covid pandemic – despite numbers of applications being the lowest for five years. Decisions on both small and large applications took 2.5 weeks longer in 2023/24 than they did in 2019/20, whilst the volume of small and large applications are 15% and 26% smaller. In response, Public Finance Minister Ivan McKee announced a new [Housing Planning Hub](#), aimed at increasing the speed of approvals, delivering more new homes and training more planning staff.
- 19.** The UK and Scottish governments have signed a near-£150 million [growth deal for Falkirk and Grangemouth](#), which is aimed at revitalising the local economy and is projected to create more than 1,000 jobs over the next decade. The deal will fund 11 projects supporting employment, skills and energy transitions in the area in light of the impending closure of the Grangemouth oil refinery, which is putting 400 jobs at risk. Falkirk Council is contributing £45 million to the deal, which also involves Forth Valley College and Scottish Canals.
- 20.** Several projects planned as part of the Glasgow City Deal [are to be put on hold due to rising costs](#). A review of investment plans has led to proposals to defer some of the city’s ‘Avenues’ projects, which include new cycle lanes and work to make streets more attractive. The city does expect to get an extra £25 million from funding which had been initially set aside for the Airport Access Project, with a wider Metro scheme now being explored instead. Overall, Glasgow City Council has an almost £386m infrastructure investment programme under the City Deal, a £1 billion scheme funded by the UK and Scottish Governments.
- 21.** The Carnegie UK charitable trust published a report which found that 37% of people have low levels of trust in the Scottish Government, while 31% lack trust in local government. The [Life in the UK Index report](#), based on surveys carried out in May, measures people’s wellbeing by examining answers to questions across social, environmental, economic and democratic themes. The report calls for the rollout of participative models of democracy, like citizen juries and panels.

Education, children and young people

22. Campaigners against Glasgow City Council’s education budget cuts [were unsuccessful in their bid for a judicial review](#). The council previously outlined plans to axe 450 teachers over the next three years and reduce MCR pathways coordinators by 50%, but a parents group said the changes will have a “profoundly negative impact” on education and the council had failed to conduct a full Equalities Impact Assessment. The application to the court was

rejected partly on the basis that it was out of time because the relevant decisions were taken in February rather than more recently when the group became aware.

- 23.** Nearly 1,200 placing requests for children with complex additional support needs (ASN) have been refused by councils in the past five years, according to [figures released under FOI](#), with the true figure likely to be higher. Demand for ASN education has surged, with the number of pupils rising from 36,500 in 2007 to 259,000 last year. However, the number of additional support for learning (ASL) schools has fallen, from 190 in 2006 to 107 last year. As a result, councils have struggled to meet the demand, with only 22% of bids accepted..

Housing and homelessness

- 24.** [East Lothian Council has declared an “affordable housing emergency”](#) and warned of the impact of losing out on expected Scottish Government funding. The council, which is seeing an increasing population, says funding it receives through the Strategic Housing Investment Plan has been cut from £12 million to £7 million a year, putting at risk more than 1,200 affordable homes expected to be built over the next five years.
- 25.** City of Edinburgh Council announced [plans to move hundreds of homeless people](#) out of unlicensed temporary accommodation. The council had provided hundreds of rooms in hotels and B&Bs as temporary accommodation, but more than 700 households still lived in 28 properties that failed to meet Houses in Multiple Occupancy (HMO) licensing regulations, which lawyers said meant the council was breaking the law. Councillors agreed to suspend new homeless housing applicants and non-urgent repairs in order to prioritise the moves.

Scottish Parliament updates

- 26.** Ahead of the Scottish Budget, the Finance and Public Administration Committee published its [report on its pre-budget scrutiny](#). The Committee said it was “deeply concerned” about the Scottish Government’s lack of a strategic approach to managing public finances, with “little evidence” of medium- or long-term financial planning, leading to repeated in-year adjustments to address foreseeable issues such as pay settlements. The Committee criticised delays in publishing key financial strategy documents, and made a number of recommendations intended to help the Government achieve a more coherent approach.
- 27.** Regarding [local government finances](#), the report summarised the significant concerns raised by the sector in evidence to the Committee, with the submission by COSLA, Solace and CIPFA Directors of Finance arguing that Scottish and local governments should work together to identify commitments that are no longer feasible due to financial constraints. The Committee again requested an update on progress with the fiscal framework, and called for ring-fencing to be reduced in order to free up funds for preventative work.
- 28.** The Local Government, Housing and Planning Committee published a [report tracking its work in 2023/24](#). The report expresses disappointment that more progress has not been made across the different areas scrutinised by the committee. The Committee has seen an increasing focus on the financial sustainability of local government, and has added this to its list of key issues. In 2024/25, the Committee intends to look at the relationship between central and local government, what local government needs to work well, and if attitudes should change to ensure power is devolved to the right level.
- 29.** The [Housing \(Scotland\) Bill](#) passed Stage 1 of the legislative process. The Bill includes provisions relating to homelessness prevention and support, including an ‘Ask and Act’ duty on public bodies to take additional steps to identify people at risk of homelessness at an

earlier stage. Concerns have been raised about how this will operate in practice, including a risk that referral to the local authority becomes the default action. There are also concerns the Financial Memorandum significantly understates resource implications, while the Local Government, Housing and Planning Committee has [asked for more clarity](#) in relation to rent controls. Ministers have committed to addressing these issues during Stage 2.

- 30.** The Finance and Public Administration Committee also published the findings of its [scrutiny of the proposed National Outcomes](#). The committee called for an effective implementation plan that is used in decision-making to ensure the Scottish Government’s vision is realised, and made recommendations for the content of that plan. The committee also says budget decisions should be better linked to National Outcomes, and the Government should set out transparently how National Outcomes are used to decide national policy and strategy.

LGIU State of local government finance report

- 31.** The Local Government Information Unit (LGIU) published its second yearly report on ‘The State of Local Government Finance in Scotland’ – based on a survey of Council Leaders, Chief Executives and Directors of Finance. A detailed summary of findings is in Appendix 3.
- 32.** Similarly to 2023, but increasingly so, the report found confidence within councils about the sustainability of their finances is “critically low”, with 70% of councils saying they could be unable to pass a balanced budget in the next five years. LGIU concluded that satisfaction with the Scottish Government is “alarmingly poor”, that the sector is in favour of widespread reform, and that it is optimistic about the role a sufficiently funded and empowered local government can play in advancing the prevention agenda and tackling shared priorities.
- 33.** The LGIU recommended the following (seemingly indirectly derived from the research):
- In the short term, an agreed national convention between Scottish Government and local government to cover procedures and actions that would take place to set a balanced budget or deal with it if it is ever not possible.
 - Implementing and enshrining in legislation the principles of the Verity House Agreement and committing to an annual review by Scottish Parliament covering the key principles.
 - In the longer term, reconsidering local government finance, adopting a whole system approach to funding and linked to a review of the role of councils in Scotland.
 - Setting out more clearly the role of local government in terms of democracy and public services, and protecting through statute its exact roles, powers and responsibilities.
 - Bringing Scottish and local governments together in a standing commission or representative body, defined in statute with a key role in pre-budget engagement, negotiation of funding settlements, and any and all decisions that impact on councils.

Other updates

- 34.** Other recent publications of relevance to local government in Scotland are listed below.

LGIU

- [Balancing Local Government Budgets in Scotland](#) (*joint publication with CIPFA, based on interviews with council CFOs*)
- [Breakdown of UK Budget 2024: a new start for local government?](#) (*detailed analysis*)
- [2024 Budget – the highlights for local government](#) (*brief summary*)
- [Autumn Budget 2024: a major reset for local economic development and devolution?](#)
- [What next for health and social care in Scotland?](#)
- [Enhancing the role of councillors in social care](#)
- [State of the Nation 2024: report of the Social Mobility Commission](#)
- [COP29: A local government perspective](#)
- [Digital transformation in the City of Aberdeen](#)

COSLA

- Briefings on [National Care Service](#) and [teacher numbers](#)
- [Additional Support for Learning progress report and updated action plan](#)

Improvement Service

- [National Planning Improvement Report identifies planning resourcing challenges](#)
- [Briefings demonstrate impact of Place and Wellbeing Outcomes](#)
- [IS Community Wealth Building project launches](#)

Scottish Parliament Information Centre (SPICe)

- [What to look out for in the 2025-26 Scottish Budget](#)
- [Budget Bingo: the committees strike back – key themes in pre-budget scrutiny](#)
- [Evaluating Change: Key Themes in Scotland’s Proposed National Outcomes](#)
- [Capital investment in Scotland and the transition to net zero](#)
- [What on earth are we doing here? COP29 and connections to Scottish climate policy](#)
- [Human Rights Bill – why has the Government not legislated and what happens next?](#)
- [What we know about the third sector’s contribution to Scotland’s economy](#)

Consultations

35. Below are updates and recommendations regarding recently-opened consultations.

- [Scottish Government’s Equality and Human Rights Mainstreaming Strategy](#)
The Secretary has agreed a proposal to produce a joint response by Audit Scotland, the Accounts Commission and the Auditor General, as recommended by colleagues given the high degree of importance and relevance to audit work and Public Audit in Scotland.

The consultation closes on 5 February 2025. Commission members will be invited to comment on the draft response in mid-January, either via this report or correspondence.

36. The Policy Manager will advise verbally of any changes or updates.

Appendix 1: LGHP Committee pre-budget scrutiny outcomes letter

Key points in the Local Government, Housing and Planning Committee's letter to the Cabinet Secretary for Finance and Local Government, following the Committee's pre-budget scrutiny:

- Inviting the Finance Secretary's "reflections" on the increase in funding from the UK Government, including on its implications for next year's local authority budgets.
- Calling on the Scottish Government to support local authorities in the financial management of schools built under Public-Private Partnerships, many of the contracts for which will soon expire, transferring responsibility for maintenance onto councils.
- Supporting the Commission's view that greater transparency and consistency in the classification of reserves would help facilitate greater public understanding, and "awaiting the outcome of [the Commission's work on this] with interest".
- Encouraging central and local government to work together to continue the shift away from ring-fencing, including developing a shared understanding of what it means in practice, and asking to be kept informed of progress on the accountability framework.
- Welcoming the work underway in respect of agreeing a definition of a general power of competence and requesting that the output is shared with the Committee to enable it to form a view on the potential benefits and drawbacks of such an approach.
- Asking the Finance Secretary to update the Committee on implications for Scotland's funding system of the UK Government's shift towards multi-year funding, particularly in respect of providing greater longer-term certainty for local authority budgets.
- Inviting the Finance Secretary – irrespective of moves towards multi-year funding at a UK level – to respond to the Accounts Commission's suggestion that medium-term financial strategies should still be produced on the basis of stated assumptions.
- Emphasising the urgent need for transformational change but highlighting the challenge faced by councils in achieving this whilst also delivering services, and that the burden of responsibility for service reform should not fall on local authorities alone.
- Echoing the messages in the Commission's 'Transformation in councils' report, including the importance of meaningfully engaging with communities, and that there is broad consensus on what needs to be done but a lack of urgency in acting on it.
- Calling for specific measures in the Scottish Budget to support sector-led transformation in local government, such as funding for collaborative pilots or to facilitate changes in the way services are delivered in specific areas – agreed in advance with the sector
- Inviting the Scottish Government, councils and other partners to fully consider whether efficiencies could be achieved by sharing or cooperating on certain specific systems and functions, noting that this does not necessarily contradict increasing localism.
- Noting the widespread opposition to a further council tax freeze and recommending that meaningful engagement is undertaken with COSLA before any decision is taken – for next year on in the future, and in contrast to last year

Appendix 2: UK Budget implications for Scottish local government

Employer National Insurance Contributions (NICs) changes

- Public sector bodies will be compensated for the changes, to protect them from the additional cost pressure. The Budget documents include an “allowance for the impact on public sector organisations”, of around £4.7bn in 2025/26. *Incidentally this reduces the projected amount of total additional revenue raised, from £23.8bn to £19bn.*
- However, it’s not yet clear how this ‘compensation’ will be provided for Scottish public bodies, and how Scotland’s ‘share’ will be calculated.
- The public sector is proportionally bigger in Scotland than the rest of the UK – it makes up 22% of the total workforce here compared to 17% in the UK as a whole.
- The Scottish Government is concerned that the method of calculating Scotland’s share could leave it short-changed. It estimates that the changes, if not funded, would add £500m to Scottish public sector costs.
- COSLA has estimated that without additional support, the increases will cost councils at least £265 million directly, plus potential additional costs for commissioned services in the third and independent sectors.
- As it stands, no direct support will be provided to the likes of GPs and private providers of social care services, so they will have to shoulder the additional costs within their core budgets. They are also not eligible for the employment allowance, which helps companies reduce NI liability, and which is being increased.

Other announcements affecting Scottish local government

- The Budget included large increases in public spending in areas that are devolved in Scotland, particularly in the short-term. As a result, the Scottish Government will receive additional Barnett consequentials of £1.5bn for revenue spending in 2024/25 and £3.4bn next year – £2.8bn for revenue, £600m for capital.
- The [Fraser of Allander Institute’s analysis](#) includes a list of which announcements in the UK Budget do and don’t apply in Scotland.
- The UK National Living Wage – the minimum wage for workers aged 21 and over – will rise to £12.21 per hour from April. However, the Scottish Local Government Living Wage already exceeds this in the current year, at £12.56, as part of the recently-implemented pay deal (which is also broadly in line with the new voluntary ‘Real Living Wage’ rate of £12.60).
- There was mixed news for regional growth deals and levelling-up funding:
 - The £70m deal for Argyll and Bute will go ahead, having been put on hold pending a review; the council had pointed out it is the only area in Scotland without such a deal
 - Funding of £20m each for regeneration of a number of town centres in Scotland will go ahead, as will Levelling Up funding for regeneration and transport-related projects
 - However, Levelling Up funding for culture-related projects looks likely to be withdrawn, including £5m grants for Perth and Dunfermline.

Appendix 3: LGIU State of local government finance in Scotland 2024

- In this year's survey, 56 of 96 recipients responded, covering 84% of Scottish councils and evenly spread between Leaders, Chief Executives and Directors of Finance. Every 'type' of authority – urban, rural, mixed and islands – was represented.
- In 2023, 24% of respondents, covering eight councils, had agreed with a statement that they were in danger of not having enough money to fulfil statutory duties in 2024/25, while only one respondent had said they were confident about their council's finances.
- This year, 23 councils believe they could be unable to pass a balanced budget within the next five years, of which 12 said this applied to next year; zero respondents said they were confident in the sustainability of their council's finances.
- All or nearly all respondents selected the following as particular challenges:
 - Pressures caused by demographic change (rising or falling, and ageing)
 - Spending directed by Scottish Government priorities
 - Inflation
 - Staff recruitment and retention.
- These are largely the same as in 2023, although the cost of living crisis was selected by a slightly lower proportion of respondents this year (85% compared to 92%).
- Just over half of respondents named adult social care as the greatest short-term pressure in terms of services (up from 34% last year), followed by education and children's services (17% for each), and housing and homelessness (8%).
- Adult social care was identified as the greatest long-term pressure by 77%, followed by education (13%) – almost identical to last year.
- All or nearly all councils said they were using the following measures to balance the budget:
 - Increasing fees and charges
 - Increasing council tax
 - Cutting spending on services
 - Using reserves.
- Two thirds said they are selling assets, and the same proportion said they are increasing commercial activity, while 29% identified increasing borrowing (down from 45% last year).
- About 80% of respondents said they were planning council tax increases of more than 5%, including one in five who indicated a planned increase of more than 10%.
- Only one respondent agreed with the statement that the Scottish Government had listened to the needs of the sector when forming the budget, and no-one said they were satisfied that the Scottish Government considers local government in wider policy decisions.
- Almost all said multi-year settlements and ending ring-fencing would have a positive impact on council finances. Reforming council tax, local share of national taxes, ending competitive bids for funding, and more freedom to levy other local taxes were all also popular options.
- One in four said single local budgets across all public services would have a positive impact (*likely to be concentrated in certain areas such as the Highlands and Islands*).

Purpose

1. This report provides an update on the engagements and work of the Chair of the Accounts Commission.

Engagement and Commission business

2. Details of my engagements and work since the start of November are as follows:

Audit Scotland engagement

- 5 November – Meeting with Alison Cumming, Executive Director of Performance Audit and Best Value
- 11 November – Attendance at Audit Scotland Audit Committee & REMCO
- 11 November – Audit Scotland Risk Deep dive: - Failure of people/ capacity/ health, safety and wellbeing
- 25 November – SPI direction working group meeting
- 26 November – Audit Scotland Board meeting & Board/Accounts Commission prep session
- 2 December – Meeting with Stephen Boyle, Auditor General for Scotland
- 3 December - Glasgow Christmas Lunch
- 11 December – LG Financial Bulletin – draft report discussion
- Regular meetings with Vicki Bibby, Chief Operating Officer.
- Regular meetings with Helena Gray, Controller of Audit

Commission business

- Regular meetings with Sarah Watters, Secretary to the Commission, Jack Nixon, Executive Assistant to the Commission and Joe Chapman, Policy Manager, Accounts Commission.
- 5 November – Accounts Commission prep session with Andrew Burns, Accounts Commission, Sarah Watters, Secretary to the Commission and Joe Chapman, Policy Manager to Accounts Commission.
- 7 November – Accounts Commission meeting.
- 12 November - Performance Management discussion with Internal Auditor, following Audit Scotland's internal Best Value assessment.

- 5 December – Accounts Commission prep session with Andrew Burns and Accounts Commission support team
- 12 December – Accounts Commission Meeting

I have also received an update from the Controller of Audit on the implementation of a new equitable pay and grading structure in Glasgow City Council. This update was provided via correspondence, which is attached at Annex A, in response to a request by the Commission for an update by the end of 2024. The Controller notes that a further update will be provided by the external auditor in the 2023/24 Annual Audit Report which is expected in March 2025.

External Engagement

- 14 November - Accounts Commission visiting Clackmannanshire Council
- 18 November - Solace/IS Transformation Programme round table
- 21 November – Best Value follow up meeting at Edinburgh Council with Councillor Day and Chief Executive, Paul Lawrence
- 21 November – Andrew Burns and Blyth Deans attended Ayrshire Leadership Collaborative Session – Accounts Commission/Audit Scotland
- 27 November – Best Value in Scottish Borders media day
- 4 December – Best Value in Scottish Borders Council follow up meeting (Andrew Burns to chair)

Forthcoming activities

3. My forthcoming engagement activities include:
- 17 December – Housing Benefit audit update discussion
 - 10 January – COSLA Special Interest Group
 - 16 January – Accounts Commission Meeting
 - Commission Member Appraisals – across January to March 2025

Conclusion

4. The Commission is invited to:
- Note this report and enquire about any areas of interest.

03 December 2024

Jo Armstrong
Chair of Accounts Commission
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

Dear Jo

Letter to the Chair of the Accounts Commission

The purpose of this letter is to provide, for the consideration of the Accounts Commission (the Commission), details on further progress on Glasgow City Council's (the Council's) implementation of a new equitable pay and grading structure. This update follows up on the Controller of Audit's report (The 2021/22 audit of Glasgow City Council – update on equal pay arrangements) which was considered by the Commission in August 2023. In its findings the Commission requested an update by the end of 2024.

As noted in my earlier report to the Commission, central to the Council delivering equality in pay is replacing its current pay and grading structure with one that is equal pay compliant. The Council initially aimed to implement a new equal pay compliant pay and grading system by April 2021. However, implementation was delayed, primarily because of the outbreak of the Covid-19 pandemic. Having considered the impact of the pandemic, the Council reset its ambition to implement a new pay and grading structure (PGS) with effect from October 2023.

In implementing a new pay and grading structure a key component was the completion of a comprehensive job evaluation process. In September 2022, a report to the City Administration Committee (CAC) indicated a revised implementation date of April 2024. Through the remainder of 2023/24 a significant risk related to delivery on this date became apparent. This risk was based on discussions with Trade Unions on the scale of 'benchmark' jobs (circa 350) to be evaluated, including evaluating around 900 identified 'unique' jobs. The Council developed a job evaluation recovery plan to allow it to implement its new pay and grading structure during financial year 2024/25, this was communicated to CAC in its August 2023 report. A workforce communication was issued in November 2023 outlining February 2025 for PGS implementation and the challenges that remain in achieving this.

Throughout 2023 and 2024, the Council has progressed the job evaluation process and while progress has been made, the April 2024 deadline for completing job evaluations was not achieved. In September 2024 a further workforce communication was issued followed by an update on the equal pay programme to the CAC in October 2024. While progress has been made, the Council highlighted that further stages of the programme involve several critical milestones where the timetable is exceptionally challenging to forecast.

These milestones include:

- Matching of 'primary benchmark' roles to around 18,000 employees;
- Evaluation, followed by matching, of 'secondary benchmarks' which cover around 220 roles, circa 4,000 employees, by group interviews;
- Evaluation of around 900 'unique' roles by questionnaires and desk top exercises, covering around 1,300 employees;
- -Consultation with Trade Unions on the new pay and grading structure and associated steps which will bring an end to the Workforce Pay and Benefits Review terms and conditions and their replacement with new terms and conditions across the non-teaching workforce; and
- Assessment of technical and system change requirements for implementing the new pay and grading structure.

As a result, the February 2025 implementation date will not be met but the Council has yet to agree a new implementation date. Throughout the next months, greater evidence will, through the progression and testing of these activities, increase the confidence required by the Council in setting a new implementation date. The governance arrangements in place remain in line with the previous report to the Commission.

As outlined in my August 2023 report, the Council has Memorandums of Understanding with the main claimant groups which include an agreement that no further equal pay claims will be pursued before April 2027.

EY, as appointed external auditor of the Council, will report a further update as part of their 2023/24 Annual Audit Report, which is anticipated to be issued in March 2025.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helena Gray', with a long, sweeping underline.

Helena Gray
Controller of Audit