ACCOUNTS COMMISSION

Agenda

Thursday 05 November 2026 10:00am

Audit Scotland office, 102 West Port, Edinburgh
and online via Microsoft Teams
537th meeting of the Accounts Commission

Public session

1.	**Apologies for absence**	Chair	10:00
2.	**Declaration of connections**		
3.	**Order of business** The Chair seeks approval of business including taking items 10 to 18 in private for the reasons set out on the agenda.		
4.	**Minutes and matters arising from previous meeting**	Director for the Commission	10:05
5.	**Section 102 report: East Dunbartonshire Council**	Controller of Audit	10:10
6.	**Local government policy update**	Policy Manager	11:05
7.	**Chair's update**	Chair	11:15
Break (15 mins)			*11:25*
8.	**Best Value: Midlothian Council**	Controller of Audit	11:40
9.	**Any other public business** The Chair will advise if there is any other public business to be considered by the Commission.	Chair	12:45
Lunch (40 minutes)			*12:45*

Private session

10.	**Section 102 report: East Dunbartonshire Council** [Item to be in private as it requires the Commission to consider actions in response to a statutory report.]	Controller of Audit	13:25
11.	**Best Value: Midlothian Council** [Item to be in private as it requires the Commission to consider actions in response to a statutory report.]	Controller of Audit	13:55
12.	**Controller of Audit's update** [Item to be in private as it requires the Commission to consider confidential policy matters.]	Controller of Audit	14:20

Break (15 mins) *14:30*

13.	**Auditor General update** [Item to be in private as it requires the Commission to consider confidential policy matters.]	Auditor General for Scotland	14:45
14.	**Performance audit work programme 2027/28** [Item to be in private as it requires the Commission to consider options for its future work programme.]	Executive Director of Performance Audit and Best Value	15:25
15.	**Housing in Scotland performance audit – draft report** [Item to be in private as it requires the Commission to consider a draft of a forthcoming publication.]	Audit Director, Performance Audit and Best Value	15:45
16.	**Accounts Commission 2027/28 budget proposal** [Item to be in private as it requires the Commission to consider confidential financial matters.]	Head of Finance	16:05
17.	**Audit Scotland corporate update** [Item to be in private as it requires the Commission to consider confidential policy matters.]	Executive Director of Audit Services	16:15
18.	**Any other private business** The Chair will advise if there is any other private business to be considered by the Commission.	Chair	16:20

Close of meeting 16:25

ACCOUNTS COMMISSION

Minutes

Thursday 08 October 2026 10:00am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN, and online via Microsoft Teams
536th meeting of the Accounts Commission

Present:

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

In attendance:

Sarah Watters – Director for the Accounts Commission
Helena Gray – Controller of Audit
Joe Chapman – Policy Manager for the Commission
Alison Cumming - Executive Director of Performance Audit and Best Value (PABV)
Louisa Yule – Audit Director, Audit Services Group *(items 5 & 9)*
Jonny Steen – Director of Audit Quality and Appointments (AQA) *(item 11)*
John Gilchrist – Senior Manager, AQA (online) *(item 11)*
Kenneth Oliver – Executive Director of Innovation and Quality (online) *(item 11)*
John Cornett – Executive Director of Audit Services Group (ASG) (*item 12)*

1. Apologies for absence

There were no apologies received or required from members.

2. Declarations

Malcolm Bell, Nichola Brown, Carol Evans, Jennifer Henderson and Angela Leitch declared connections with item 11 due to their respective roles at audited public bodies. Having sought advice from the Director and Ethics Partner, it was deemed appropriate to make a transparency statement in relation to their connections and for them to participate in the discussion of this item.

3. Order of business

It was agreed that items 9 to 13 would be considered in private, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meeting

The minutes of August's meeting were agreed as an accurate reflection and approved as final. Sarah Watters, Director for the Commission, provided the following updates on actions:

- UK Local Authority Accounting Code of Practice 2027/28 consultation – a sub-group met on 23 September 2026 and agreed to submit a letter only from the Commission and Controller of Audit, referring to Audit Scotland's technical submission.

5. Best Value: East Ayrshire Council

The Commission considered the Controller of Audit's Best Value report on East Ayrshire Council. Discussion explored the following themes:

- Financial sustainability
  - Budget gap – the council has a strong record of delivering savings and managing reserves but faces a significant future funding gap, with savings becoming increasingly difficult to identify and deliver. Longer-term planning focuses on transformation and preventative approaches
  - Integration Joint Board (IJB) – budget gap forecast for IJB assumes 'flat cash' funding and presents a key risk given projected overspends. A recovery plan is in place including enhanced budgetary controls, service reviews have identified approximately £1.3 million of savings, and the use of technology in care at home is projecting a significant reduction in overspend on previous years
  - Reserves – the council earmarks underspend for future financial challenges, this is approved by cabinet annually
  - Asset management – given the strong arrangements in place, auditors made no recommendations during thematic work
  - Capital – 10-year programme in place, with a cap on capital financing costs of 8% of net revenue managed through annual review. Significant underspend attributed to reprofiling of works, delays to school estate work, and additional unanticipated remedial works required during regeneration projects. The council reviews delivery options, including whether refurbishment is cost effective compared to new builds.
- Transformation
  - Programme management – transformation was embedded within the council's 2022-27 strategic plan, having previously been managed through separate programmes. A Programme Management Office (PMO) is in place but does not yet report consolidated transformation activity, improved reporting and oversight were identified as an area for development

  - Benefits realisation – a reporting framework and benefits management process are in place for the council's Early Intervention and Prevention fund. Challenges remain in quantifying and measuring some benefits, and assessing those which will be realised over the longer-term
  - Pace of change – the council has a clear vision and a culture of continuous improvement, having established the PMO, bi-annual reports to council, and a business innovation team to provide support with transformation activity, including quantifying savings
  - Shared services – joint working includes the Roads Alliance, Ayrshire Growth Deal and plans for a shared Economic Development Service. The Pan-Ayrshire Transformation Board was established to identify opportunities to improve performance, financial efficiency and integration across councils, the IJB and NHS Ayrshire. Responsibility for budget was identified as a potential barrier.

- Leadership and Governance
  - Leadership changes – interim arrangements are in place until October 2027 to bring stability beyond May 2027 local government elections. Approval to recruit a permanent Chief Executive will be sought in June 2027. Auditors report no operational impact, and noted that performance data pre-dates these changes
  - Lessons learned – strong, embedded processes, experienced teams and a culture of continuous improvement are in place to support good performance and reduce reliance on individual leaders. There may be opportunities to share learning through Pan-Ayrshire and Solace work.

- Workforce
  - Workforce planning – priorities are reflected in service improvement planning, with a workforce strategic action plan and annual reporting now in place. A workforce dashboard and succession planning will be used to identity gaps in skills, and professional and leadership development is underway
  - Flexible and hybrid working - impact on service delivery and productivity remains difficult to assess due to limited baseline data following COVID-19. Current review has focused on efficiencies arising from hybrid working, with desktop review findings expected later in the year.

- Performance and improvement
  - Satisfaction – concern that decline is inconsistent with wider performance indicators. Auditors noted that Local Government Benchmarking Framework data used is sourced from the Scottish Household Survey, and reflects general satisfaction with council services. Similar declines are being seen across all councils.

- Community engagement

- Examples of impact – budget consultation exercise cited as an example of community feedback influencing decision-making, resulting in the proposed council tax increase reducing from 8 per cent to 6.9 per cent and consequential amendments to the budget
- Community asset transfers – examples cited of successful and sustainable transfers, supported by external funding and council assistance, with some assets operating as community hubs serving local communities
- Demographics – the council won the Working Together award in 2023 for its approach to engaging children and young people in the development of its climate change strategy.

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

6. Local government policy update

The Commission considered a report by Joe Chapman, Policy Manager for the Commission, which provided an update on recent major publications relating to local government.

The following points were raised during discussion:

- Local government reform – discussion and debate is ongoing, Joe will continue to pull out key themes and points for members' awareness
- 2027/28 budget setting is underway within councils, and may be a focus of the next policy update report
- Glasgow City Council's pay and grading structure – the council had agreed a deal with the trade unions since the report was produced
- Drugs deaths in Scotland – members noted this as an area of concern.

Following discussion, the Commission **noted** the report.

7. Chair's update

The Commission considered an update by the Chair, Jo Armstrong, on recent and upcoming activity. Jo highlighted the following items of note:

- Jo had a constructive meeting with the Deputy First Minister, who shares concerns about financial sustainability of councils, and was keen to discuss the Commission's Best Value reports, as well as consider evidence as part of the current reform dialogue
- Member recruitment – strong response to campaign, interviews took place in early October with the decision from Ministers expected by the end of October

- Glasgow City Council Best Value follow up visit – Andrew Burns and Jennifer Henderson had a constructive meeting with senior representatives of the council including the Leader and Chief Executive. In advance of the meeting, the Chief Executive had shared the draft report going to their committee, responding to all five Commission findings.

Following discussion, the Commission **noted** the report.

8. Any other public business

Jo noted that today was Ruth MacLeod and Nichola Brown's last Commission meeting, having completed their respective four-year terms. She thanked them for their contributions and wished them well in their future endeavours.

There being no other business, the Chair closed the public session.

9. Best Value: East Ayrshire Council

The Commission considered its response to the Controller of Audit's report on Best Value in East Ayrshire Council.

Members agreed to issue findings in response to the report, to be drafted by the Director and the Chair and circulated to members next week.

Commission members discussed and agreed upon a number of points, which will be included within the findings in the report, which will be published on 27 October 2026.

10. Controller of Audit's update

The Commission considered an update by Helena Gray, Controller of Audit, on recent and upcoming activity. Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), joined Helena for this item.

Alison Cumming updated the Commission on work being done in response to the current dialogue on public service reform and the Commission's desire to pull together insights from previous audit work which may be helpful to decision makers. The intention is to prepare outputs on financial sustainability of councils and social care reform, as well as a short covering letter from the Commission Chair to be sent to the Deputy First Minister. There are no new audit judgements as part of these outputs.

Discussion highlighted the following points:

- Members put forward suggestions around specific service areas and case studies that could be covered in the submission. Alison clarified that the submission will be based on previous audit work and strategic in nature. However, it was agreed that an opportunity

should be provided for members to comment on drafts, though she noted that timescales will be tight.

Action: Executive Director of PABV

- It was suggested that information and evidence could also be sent to Committees in Parliament to inform their scrutiny; Alison confirmed that the outputs to Scottish Government will also be shared with Committee clerks and published on Audit Scotland's website.

Following discussion, the Commission **noted** the report.

11. Audit contracts

The Commission considered the report presented by Jonny Steen, Director of Audit Quality and Appointments (AQA), John Gilchrist, Senior Manager, AQA, and Kenny Oliver, Executive Director of Innovation and Quality. Jonny introduced the paper, noting that the proposed extension applies to firms and to appointed audit engagement leads within Audit Scotland's Audit Services Group (ASG).

During discussion, the following points were raised:

- Two-year extension proposal is the maximum provided for in current audit contracts
- Current five-year contractual audit appointment period is not mandatory and could be adjusted in future if needed
- The potential impact of public service reform on future audit appointments, and the scope for flexibility within the next Code of Audit Practice
- Helena Gray confirmed the plans for auditing Best Value (BV) during the period of the extension, including no change to BV audit work integrated into annual audits; a move to risk-based BV reports from the Controller of Audit (already planned for year 5 of the current appointment period) and Best Value thematic work undertaken on a sample basis.

Following discussion, the Commission **agreed in principle**:

- an extension of the current contract for local government auditors for financial years 2027/28 and 2028/29, noting that, as requested at the meeting, this applies to ASG appointed auditors as well as external audit firms
- to continue to apply the 2021 Code of Audit Practice for this extension period, with modifications to Best Value requirements only (see paragraph 14)

Agreement was sought in principle, as AQA must formally agree the extension and pricing with each firm.

12. Audit Scotland corporate update

The Commission considered an update by John Cornett, Executive Director of ASG. John highlighted a number of key areas of interest:

- Scottish Commission for Public Audit (SCPA) – Audit Scotland had a session with SCPA to present the 2025/26 Annual Report and Accounts for review, along with a discussion on proposals for the 2027/28 budget which was positively received
- Local Audit Office (LAO) update – planning to go live on 30 November. Staffing arrangements are underway, supported by all UK audit agencies and Ministry of Housing, Communities and Local Government. Organisationally, the LAO's intention was to structure itself to reflect local government in England, but this will be impacted by delays to reforms, given its "go live" date. Chartered Institute of Public Finance and Accountancy (CIPFA) will likely be the preferred training provider for LAO
- UK Local Government Accounting Code of Practice 27/28 – consultation complete, Audit Scotland submitted a response, and the Commission Chair and Controller of Audit sent a letter. Work is progressing through CIPFA/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) and John provided clarification in response to a query on work to review approaches to capital accounting

Following discussion, the Commission **noted** the update.

13. Any other private business

Jo Armstrong raised the following points of interest:

- Jo notified members of an upcoming roundtable evidence session on transformation with the Social Justice, Housing and Local Government Committee. Jennifer Henderson will represent the Commission as sponsor of the recent report on transformation

Close of business

There being no further business, the meeting closed at 12.45pm

Accounts Commission Action Tracker
As at: 28 October 2026

ACCOUNTS COMMISSION

Action No.	Date	Action	Action for	Assigned to	Timescale	Progress	Status	Date complete
26/022	08-Oct-26	**Commission contribution to PSR dialogue** Draft outputs to be shared with Commission members late Oct/early November for their feedback (noting tight turnaround)	Executive Director of PABV	Alison Cumming	Nov-26	Dates shared with members; draft outputs to be shared on 29 October and 6 November	**In progress**	

ACCOUNTS COMMISSION

Section 102 report: East Dunbartonshire Council

Item 5

Director for the Accounts Commission

Meeting date: 05 November 2026

Purpose

1. This paper introduces the Controller of Audit's report on delayed audits at East Dunbartonshire Council, which has been produced following the 2023/24 audit of the council. The paper outlines the process to be followed, including publication arrangements.

Recommendations

2. The Commission is invited to:

- consider the Controller of Audit's report
- note the process to be followed in relation to the report
- decide how it wishes to proceed
- approve the proposed publication arrangements.

Background

3. The 2023/24 Annual Audit Report (AAR) for East Dunbartonshire Council was considered by the council's Audit and Risk Management Committee on 11 June 2026. The appointed auditor issued an unmodified opinion on the accounts, meaning that the financial statements are free from material misstatement.

4. Up until 2022/23, East Dunbartonshire Council's audited accounts were approved by the statutory deadline. However, a number of factors impacted the completion of the 2022/23 accounts, which are now set out in this section 102 report.

5. The Controller of Audit (CoA) has used the reporting powers available to her to bring these matters to the attention of the Accounts Commission and the public.

The Controller of Audit report

6. The CoA's report is made under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).

7. The legislation enables the CoA 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.

8. A copy of the report was sent to the Chief Executive of East Dunbartonshire Council on 28 October 2026. The council has been advised of its obligations to supply a copy of the report to each council member and to make additional copies available for public inspection. Once the CoA's report is sent to the council, it is effectively in the public domain.

Process

9. The Commission will note that this report is made under the same legislation as reports on Best Value. The process outlined below is therefore the same.

10. The Commission will consider the CoA's report during the public session of its meeting. Members of the audit team will be present and will be available to answer questions on the evidence and judgements presented in report.

11. The Commission will then decide, in private, how it wishes to proceed. The legislation provides that, on receipt of a CoA report, the Commission may do (in any order) all, any, or none of the following:

- direct the CoA 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. The Commission is obliged to inform the council of its decision on how it will proceed shortly after the Commission meeting – this is done on its behalf by the Director for the Accounts Commission – before making its decision public.

14. If the Commission chooses to make findings, the council is required by statute to do the following:

- consider the findings of the Commission at a meeting of the full council within three months of receiving them
- publish in a newspaper circulating in the local area a notice stating the time and place of the council meeting, indicating that it is to consider the findings of the Commission and describing the nature of those findings (at least seven clear days before the meeting)
- after the council has met, notify the Commission of any decisions made, and publish in a newspaper circulating in the local area a notice containing a summary, approved by the Commission, of the council's decision.

15. The Commission asks the council for a meeting, preferably in the period between the Commission publishing its report and the full council considering it, to do the following:

- discuss what the council thinks of the Commission's decision and its findings (if applicable), and what the council will do in response to the Commission's report
- confirm any next steps and review the audit process.

Publication arrangements

16. The report is due to be published on 24 November 2026, with the previous day being held for any media interviews. Either Jo Armstrong or Andrew Burns will front the media for this report, depending on availability.

17. Communications outputs for each report will be prepared including a news release and social media. A range of communications and engagement work will be undertaken with local and national media and stakeholders, as appropriate.

Conclusion

18. The Commission is invited to consider the recommendations set out at paragraph 2 of this report.

The 2023/24 audit of

East Dunbartonshire Council

Late reporting of audited accounts



ACCOUNTS COMMISSION

Prepared by the Controller of Audit
November 2026

Contents

Key messages	4
The 2023/24 audit of East Dunbartonshire Council	6
Conclusions	15
Appendix	18

Accessibility

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

Key messages

1 The 2023/24 audit of East Dunbartonshire Council was completed in August 2026, over two years after the financial year end and more than 22 months after the statutory deadline. Up until 2022/23, the council had a history of meeting statutory reporting deadlines.

2 Limited audit team capacity disrupted the timetable from the start of the audit appointment. This reduced the time available to complete the 2022/23 audit within statutory deadlines. The limited audit team capacity at the start of the audit also reduced engagement during this critical phase. As a result, important detail on specific audit requirements was not communicated clearly or timeously to the council and the auditor found that working papers provided by the council lacked sufficient detail. Both factors contributed to delays carrying forward into subsequent years.

3 Earlier audit delays meant work for the 2022/23 audit overlapped with the council's implementation of a new financial ledger system. This placed additional pressure on the council's finance team and, in the auditor's view, reduced its engagement with the audit, extending the timetable.

4 The provision of unaudited accounts for 2023/24 by the council was subsequently delayed, meaning substantive audit work started later than planned. This compounded the impact of the previous year's delays. The auditor identified risks associated with the implementation of the new system and tested whether transferred data was accurate and complete. The auditor requested information 13 months after the system went live, requiring the council to reproduce evidence and adding to delays.

5 The auditor identified a material error in the accounts, requiring substantial additional work by the council to determine the correct accounting treatment and revise the accounts. The auditor then needed to complete further audit testing. This significantly extended the duration of the audit.

6 Timely audit completion depends on councils and auditors ensuring a common understanding of roles, evidence requirements and timescales from the outset, maintaining sufficient capacity and communicating clearly and

regularly. A shared, detailed, recovery plan is required to set out how the auditor and East Dunbartonshire Council will work together to bring the audit timeline back on track.

The 2023/24 audit of East Dunbartonshire Council

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 received the AAR and the audited annual accounts for East Dunbartonshire Council for 2023/24 in August 2026. The auditor has issued unqualified opinions on the annual accounts but has identified significant matters in relation to the late reporting of the accounts.

3. I have therefore decided to use the reporting powers available to me under section 102(1) of the Local Government (Scotland) Act 1973 to bring these matters to the Accounts Commission's attention.

4. Preparation of this report has drawn on the 2022/23 and 2023/24 AARs for East Dunbartonshire Council, documentation provided by the council and interviews with the council's Leader, Chair of the Audit and Risk Management Committee, Chief Executive, Chief Finance Officer, Monitoring Officer and Chief Internal Auditor.

Background

Requirements

5. The statutory requirements for the reporting of unaudited and audited accounts for Scottish councils are set out in the Local Government (Scotland) Act 1973 and Local Authority Accounts (Scotland) Regulations 2014.

6. Councils must prepare annual accounts for each financial year ending 31 March, in line with proper accounting practices. The proper officer (section 95 officer / Chief Financial Officer) must ensure the unaudited (draft) annual accounts are submitted for audit no later than 30 June following the year-end.

7. Councils must give public notice of the availability of the unaudited accounts and members of the public have the right to inspect the unaudited accounts and supporting documents and to lodge objections with the auditor.

8. Once the audit is complete, the audited accounts must be signed by the proper officer and the auditor's report issued. Councils have a statutory duty to aim to approve their accounts by 30 September following the year-end. Councils must publish the audited annual accounts, including the auditor's report no later than 31 October following the financial year-end.

Reporting timelines

9. East Dunbartonshire Council has a history of meeting statutory reporting deadlines. However, this position has deteriorated significantly in recent years, with a widening gap between reporting requirements and the completion of the audit process. The council signed its 2022/23 accounts almost 15 months after the deadline and its 2023/24 accounts more than 22 months after the deadline.

10. Exhibit 1 sets out the timeline of reporting at East Dunbartonshire Council since 2020/21 against statutory targets.

Exhibit 1

Timeline of reporting accounts at East Dunbartonshire Council from 2020/21

Statutory targets for approval of audited accounts have not been met since 2021/22

Financial year	Statutory target for submission of unaudited accounts	Actual	Late	Statutory target for audited accounts approved	Actual	Late
2020/21	30 June 2021	25 June 2021	On time	30 November 2021	11 November 2022	On time
2021/22	30 June 2022	23 June 2022	On time	31 October 2022	25 October 2022	On time
2022/23	30 June 2023	30 June 2023	On time	30 September 2023	20 December 2024	15 Months
2023/24	30 June 2024	8 July 2025	12 Months	30 September 2024	5 August 2026	22 Months
2024/25	30 June 2025	-		30 September 2025	-	-

2025/26	30 June 2026	-	30 September 2026	-

Source: Audit Scotland

The 2022/23 annual audit

11. As set out in the Annual Audit Plan (April 2023), the auditor planned to complete the 2022/23 annual audit in October 2023. The council submitted its unaudited accounts on time in June 2023. However, the audit of the financial statements did not begin until mid-August 2023, and the final audited accounts and annual audit report were not signed off until 20 December 2024.

Factors contributing to the late completion of the 2022/23 audit

Delayed start to the audit

12. The 2022/23 audit was the first of a five-year appointment with a new appointed auditor for the council. The audit firm faced difficulties recruiting experienced audit staff to commence the work and achieve the pace required to stay on schedule.

13. The late start meant audit work continued into the autumn of 2023, at the same time as the council's planned implementation of a new financial management and reporting system. This required significant input from the council's finance team, alongside managing other commitments, including budget planning. These competing demands reduced the finance team's capacity to respond to audit queries and slowed audit progress.

14. The delays in the audit process into 2024 also meant that the results of the **triennial pension valuation** had been published in advance of the council's 2022/23 annual accounts being signed. This led to additional audit work to obtain evidence in support of the completeness and accuracy of the source data used in the development of an updated **IAS19 pension report**.

A **triennial pension valuation** is a detailed financial health check of a defined benefit (final salary) pension scheme, carried out by an actuary every three years.

An **IAS 19 pension report** is an accounting report prepared under the international accounting standard. It sets out how the pension scheme affects the council's annual accounts and reported financial position.

Shared understanding of requirements

15. Limited audit team capacity at the outset reduced engagement during the critical start-up phase of the new appointment. As a result of this,

some important detail on specific audit requirements was not communicated clearly to the council. At the start of a new appointment, and for each audit year, the auditor and audited body should agree expectations, plans and timelines, and discuss and clarify specific audit requirements. In May 2023, the council raised concerns with Audit Scotland about the limited engagement with the auditor to date. Audit Scotland's **Audit Quality and Appointments (AQA) team** responded by engaging more frequently with the auditor, and monitoring progress with audit team capacity and progress with recovering the audit delivery timeline. AQA report annually on the quality of audit of all auditors under the Audit Quality Framework.

AQA is an independent team that supports the Auditor General for Scotland and the Accounts Commission in procuring external audit services from private sector audit firms, who carry out approximately one-third of public audit in Scotland.

The team also manages the contract with appointed auditors. This includes monitoring of the auditor's compliance with the contract specifications, agreed services levels and the contract award procedures and the terms of the Audit Framework Agreement.

16. In the AAR, the auditor reported that some of the working papers provided by the council to support the annual accounts lacked sufficient detail, and that not all required information was available at the start of the audit. Good-quality working papers support the annual audit and help maintain effective internal controls and governance around the financial statements process. The council's view is that the auditor's timing, information and format requirements were not clear from the outset, creating a gap in understanding and requiring information to be reworked for the audit.

The 2023/24 annual audit

17. The 2023/24 unaudited accounts were published on 8 July 2025, 12 months after the statutory deadline. The 2023/24 accounts and AAR were first presented to the council's Audit and Risk Management Committee in February 2026. Further work was required by both the auditor and council (see paragraph 20.) and they returned to the committee on 11 June 2026 and completed 5 August 2026, 22 months after the statutory deadline.

18. To support the audit process, the council seconded its chief internal auditor to its finance team from 1 April 2025 to 31 March 2026. The secondment was intended to increase capacity and help ensure the accounts and audit work progressed, alongside the finance team's other commitments.

19. The 2023/24 audit required information to be drawn from both the old and new ledger system as well as work to evidence the effective

migration of data. The implications of this on the audit are considered in paragraphs 30. to 33.

20. From June to October 2025, the auditor undertook initial testing of property, plant and equipment (PPE). As part of this work, the auditor requested additional working papers and evidence to demonstrate how the council reconciled its fixed asset register to the valuation report. The issues were resolved and the council understood the audit work on PPE to be complete.

21. In January 2026, the auditor raised an issue in relation to a material error identified in the historic valuation of components, such as replacement kitchens, in council homes. Resolving this required significant work by officers to review and amend entries for the council's 3,900 council houses since the last revaluation of council dwellings in 2018/19. As a result, the auditor reported an adjusted misstatement of £9.4 million for 2023/24 and a prior period adjustment of £18.9 million. The council estimate this work added a further five months to the audit timeline.

22. The auditor highlighted in their 2023/24 AAR numerous adjusted and unadjusted misstatements and disclosure misstatements, and several internal control deficiencies. The council and auditor initially reached agreement on the draft AAR following clearance discussions. The content and conclusions of the AAR are a matter for the auditor, who must report independently on the basis of the audit evidence. The council subsequently sought further amendments to reflect its position on some findings. The auditor did not make these changes, maintaining that its conclusions were supported by audit evidence.

Implementation of the new financial accounting and reporting system

23. The council's finance team planned to complete the 2022/23 audit in September 2023 in line with the statutory reporting deadline, before turning its resources to implementing the new financial accounting and reporting system. The system introduced in 2023/24 was the first phase of the council's wider programme to move to a new **Enterprise Resource Planning (ERP) system**.

An **ERP system** is an integrated software platform that brings multiple business functions and data into one system. It commonly covers finance and general ledger, accounts payable and receivable, procurement and purchasing, budget management, payroll, asset management, project accounting, and reporting and analytics.

From an audit perspective, ERP systems are important because they affect:

financial reporting accuracy, internal controls, authorisation and approval processes, segregation of duties, data security and audit trails.

24. The council appointed an external contractor to support implementation of the new ERP system and established an implementation team. The council initially planned for the system to go live on 4 December 2023. However, testing identified the need for further work, and the project board agreed to a revised implementation date of 19 February 2024.

25. The delay to the 2022/23 audit added pressure on the finance team as it implemented the new system for 2023/24 data onwards. At the same time, the team had to respond to audit queries on 2022/23 data held in the old system, manage internal reporting, complete 2024/25 year-end budgeting and meet other business requirements.

26. When planning the implementation of the new system, the council did not identify audit delay as a high risk. This assessment was based on experience of consistently meeting statutory deadlines in previous years. Once the delay emerged, the council had already committed to a project plan that it reported could not be postponed without significant cost.

27. Planning and implementation of an ERP system is complex and affects almost every part of an organisation. It requires careful planning to align the system with business needs, clean and migrate large amounts of data, integrate with other systems, train users, and manage organisational change. Without strong governance, and thorough testing, there is a risk of disruption to day-to-day operations, delays and increased costs.

28. The auditor reviewed the council's project management and governance arrangements for implementing the new system, as well as the transfer process from the legacy system to the new one. In relation to governance and project management, the auditor found evidence that the council had "effective arrangements in place, including a clear business case and project plan, regular reporting to the board, and a sound justification for the replan".

29. The delay in the move to the new system resulted in a further delay to the timetable for preparation of the 2023/24 annual report and accounts. The 2023/24 audit required information from both the old and new systems. Familiarisation with the new system also made it harder for

the council to provide the information required by the auditor once the new system was live.

Data migration

30. The auditor's 2023/24 audit plan, agreed with the council in March 2025, noted the risks associated with implementing a new system and migrating data, including the possibility that transferred data could be incomplete or inaccurate. As part of the audit, the auditor reviewed the design and implementation of IT general controls in the new system and tested the accuracy and completeness of the migrated data. Specialist data analytics resources supported this work. This team first requested information on the transition to the new ledger system in March 2025, 13 months after the council's 'go-live' date for the system in February 2024.

31. The council closed the legacy ledgers between 31 January and 2 February 2024 and migrated to the new system between 10 and 15 February 2024. The auditor reported that this gap, together with retrospective data reconciliations, increased the risk of error. The auditor also noted that delayed reconciliations reduce the likelihood that discrepancies are identified and corrected promptly.

32. The council disagrees with the auditor's assessment of this issue. The council's management response in the AAR is that reconciliations were carried out at the time of the migration. However, these were not in the format required by external audit with additional work then specified to provide the required assurance.

33. The auditor concluded in the 2023/24 AAR that the audit identified only trivial net differences and no significant deficiencies in the design or implementation of the new system's controls. The council reports that the new financial management system went live on 19 February 2024 and is operating successfully, providing improved operational and strategic financial information.

Scrutiny, decision making and financial management

34. Elected members are responsible for scrutinising and challenging officers to ensure the council meets its duties, including statutory requirements. Officers have kept elected members well informed about audit delays and related actions through formal reports, technical notes and briefings to political groups.

35. The audit process and AAR are intended to improve officers' and elected members' understanding of the council's financial and governance position. Significant reporting delays reduce the value of this work.

36. A key area of concern is the lack of timely audited accounts at the time of budget-setting. The council set its 2026/27 budget in March 2026, with the most recent available set of audited accounts being from

2022/23 rather than 2024/25, which would have been the case had statutory deadlines been met. Those charged with governance need timely, reliable information to support sound decision-making. This risk is heightened by the financial challenges currently facing the local government sector.

37. During the work to prepare this report, council representatives acknowledged the risks of setting budgets without audited accounts and said the council had needed to make prudent decisions in challenging circumstances.

Impact of the audit delays on wider reporting commitments

38. The auditor reports in the 2023/24 AAR that "compared to prior years, there was less regular general fund revenue monitoring reports, with only two updates issued in the year". The absence of regular budget monitoring reports limits the ability of elected members to appropriately scrutinise the council's finances. The council's management response in the report highlights that the council's "governance arrangements were flexed during the course of the year to accommodate ledger implementation work however monitoring reports were provided to Council, in summary form, rather than the normal Policy & Resources Committee … arrangements have now reverted to normal".

39. The auditor also reported that financial forecasting remains embedded in the council's financial management and reporting arrangements. The council maintains a five-year financial outlook with best-case, worst-case and mid-range scenarios. This scenario planning is supported by risk registers that are updated quarterly as part of each committee cycle to reflect emerging risks and their potential impact.

40. Delays in completing the annual accounts and audit have affected the council's ability to contribute to national data returns, including those to the Scottish Government and the Improvement Service.

The 2024/25 and 2025/26 annual audit

41. As a result of challenges highlighted in this report, East Dunbartonshire Council has not met the statutory deadlines for presenting and finalising its accounts for 2022/23, 2023/24, 2024/25 and 2025/26.

42. The council and auditor recognise the need to return accounts and audit reporting to the statutory timetable. However, further significant delays have been experienced. In June and July 2026, the Chief Finance Officer (CFO) and principal accountant met with the auditor and agreed an outline timeline to achieve this by the completion of the 2026/27 audit. The target date for the submission of unaudited 2024/25 accounts in July 2026, and a revised date in August, were missed. The 2023/24 AAR sets out that the auditor intended to complete the audit by the end of October

2026. However, further significant delays in the provision of unaudited accounts mean that this will now not be achieved.

43. The auditor and council have committed to working closely to support progress. They plan to develop a detailed action plan to achieve the outline milestones. The CFO and principal accountant are meeting monthly with the auditor, and the finance team is meeting weekly with the audit team, to maintain dialogue and progress towards these goals.

Conclusions

44. Several factors contributed to the late reporting of East Dunbartonshire Council's 2023/24 annual audit and accounts. I have summarised these in the key messages on page 2 of this report.

45. The council and auditor recognise the need to address the delays set out in this report. They have committed to set out a recovery plan to bring the reporting timetable back on track and ensure compliance with statutory audit deadlines.

46. Achieving timely audit completion is a shared responsibility between auditors and audited bodies, requiring effective collaboration. Meeting a timeline to return to the statutory reporting schedule, will need:

- a shared commitment
- a clear and shared understanding of what is required, in what format and by when
- sufficient allocation of resource from both the council and the audit team.

47. I have asked the appointed auditor to provide an update in their AAR on the 2024/25 accounts on the issues raised in this report and I will continue to monitor the audit with a view to further public reporting in the future if appropriate.

Lessons for other local government bodies and their auditors

Shared responsibility for the audit

48. Timely audit completion is a shared responsibility between auditors and audited bodies and depends on effective collaboration. At the start of a new audit appointment, and for each audit year, the auditor and the audited body should agree a shared understanding of expectations, plans, timelines and specific audit requirements. Auditors and finance teams should also ensure from the outset, and throughout the appointment, that both have sufficient resources to support delivery of the audit.

49. The Audit Quality and Appointments (AQA) team has prepared detailed guidance for auditors to support effective audit handovers and emphasise the importance of effective early engagement with audited bodies in the first year of an appointment. Audit Scotland have closely

considered findings in this report as part of preparing for future auditor procurement, which includes support for new auditors, ensuring effective audit delivery plans are in place, and ensuring auditors have early engagement with audited bodies.

Implementing an ERP system - managing potential audit implications

50. Upgrading and implementing new Enterprise Resource Planning (ERP) systems is important for improving the efficiency, reliability and security of information. The messages in this report are intended to highlight the need to manage the impact on audit activity as part of the planning and implementation of such systems. It also highlights the need for early awareness of what information auditors will require from the old and new systems, and when, so it ensures this can be provided efficiently for audit.

51. The lessons below reflect the council's experience and wider findings from reported audit work across the Scottish public sector. They may be useful for other councils currently planning similar system implementations.

- A well-implemented ERP system strengthens audit trails by automatically recording transactions, approvals and system changes in a consistent and traceable manner. Councils should ensure that in the planning stages they engage with auditors, share implementation plans, agree key controls and review segregation-of-duty controls. Working collaboratively with the audit team can ensure:
  - there is a common understanding of interacting priorities, responsibilities and critical milestones, the potential risks and consequences of not meeting these and contingency plans to manage staff capacity and other risks.
- a common understanding of the needs of the accounts and audit processes from the new system from the outset. Early engagement helps ensure audit requirements are built into system design rather than retrofitted afterwards. New systems often create risks around data quality, opening balances, and historical transactions. In managing the transition from one system to a new system, councils should:
  - involve internal and external auditors in migration planning
  - complete multiple migration test cycles
  - minimise the period between closure of the legacy system and the new system going live.

  - ensure data reconciliations are performed immediately after migration
  - maintain clear audit trails

- External auditors need evidence that financial transactions, approvals, reconciliations and controls operate effectively. During implementation elevated and broad access rights are often granted to support system configuration, testing and issue resolution. Once the system goes live, these access rights can weaken segregation of duties and increase the risk of unauthorised transactions and inappropriate changes. Councils should ensure core financial controls continue to operate effectively after the new system goes live, taking action to:
  - review delegated authority structures
  - test approval workflows
  - confirm segregation of duties
  - monitor control effectiveness
  - test audit evidence availability

52. It is positive that Scottish councils who have recently implemented new ERP systems are sharing their experiences and learning, through Solace and the Improvement Service. Councils planning similar changes should actively engage with this work.

Appendix

How interdependent events delayed the 2023/24 audit

1	**2022/23 audit delay** April 2023 to December 2024	• October 2022 – the new audit appointment commenced. Auditor capacity was constrained by recruitment and retention difficulties at the start of the appointment. • February 2023 – AQA contract management meetings with the auditor began, increasing to quarterly from September 2023. • June 2023 - the council published its unaudited accounts as required. • August 2023 - the 2022/23 audit fieldwork began. • December 2024 - the audit was concluded 15 months late, delaying the start of the 2023/24 cycle.
2	**Accounts not ready** June 2024 to July 2025	• February 2024 – the new ledger system went live. • June 2024 - the 2023/24 unaudited accounts were due. • December 2024 - the 2022/23 audit was completed. • March 2025 - the 2023/24 Annual Audit Plan was agreed. • July 2025 – unaudited accounts were published 12 months late.
3	**Planned audit window constrained** April to September 2025	• April to September 2025 – planned audit fieldwork could not begin as intended. Audit staff were reallocated to other work. • July 2025 to July 2026 - audit fieldwork took place.
4	**Ledger evidence reconstructed** March 2025 to January 2026	• March 2025 – initial information requests and migration testing by the audit firm's data analytics team began, 13 months after the new ledger went live. • August – December 2025 – requests from the data analytics team for extraction of data from the old ledger system, observation of extracts and other reconciliation queries were progressed. • January 2026 – data analytics team findings shared.
5	**Material Property, Plant and Equipment (PPE) error corrected**	• June - October 2025 - valuation evidence did not reconcile to the fixed asset register.

	June 2025 to July 2026	• January - July 2026 - The council had to investigate and correct a material historic error in council housing assets, revise the accounts and support additional audit testing.
6	**Final accounts and sign-off** June to August 2026	• June – August 2026 - revised accounts required further PPE testing. Final workings, journals and adjustments had to be agreed and verified. • 5 August 2026 – the final accounts were submitted and signed, 22 months late.

The 2023/24 audit of East Dunbartonshire Council

Late reporting of accounts

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

ISBN: XXX X XXXXXX XX X

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ACCOUNTS COMMISSION

Local government policy update

Item 6

Policy Manager for the Accounts Commission

Meeting date: 05 November 2026

Purpose

1. This regular report provides an overview of significant recent activity relating to the Accounts Commission and local government. A version of each monthly report is shared directly with auditors and stakeholders for information and posted on the Commission's website.

Recommendations

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

Recent publications

3. Media coverage and engagement for recent publications is as follows:

- **Best Value: West Dunbartonshire Council** *(06 October)*
  - Very limited media coverage – local newspaper websites and Scottish Housing News only. Relatively low social media engagement, similar to the Inverclyde Best Value report in July – 2,300 views, 960 video views, 60 engagements, 15 link clicks.
- **Best Value: East Ayrshire Council** *(27 October)*
  - *Published after this report was produced. Details of coverage and engagement will be included in next month's report.*

Media and Parliamentary monitoring

4. The Commission and its work have been mentioned recently as follows:

- The s102 report on Comhairle nan Eilean Siar regarding the cyber-attack was referenced by Green MSP Maggie Chapman during a debate on cyber resilience.
- The Best Value report on Inverclyde Council was referenced in local reporting as councillors endorsed the report, received updates and agreed next steps at a full council meeting.
- The Angus Council 2025/26 Annual Audit Report was reported on locally as a £34 million accounting error was identified alongside other corrections. The auditor is also quoted, while the council says staff shortages made preparing accounts particularly challenging.

Scottish and local government updates

5. At the time of writing, there had been few significant developments in the past month regarding public service reform (PSR), largely due to the October recess. The Scottish Parliament Information Centre (SPICe) published a useful summary of developments to date on 9 October and members can view summaries of recent relevant Parliamentary sessions.

6. There have been various local responses to the Scottish Government's proposal for local government reform. Representatives of a number of councils have expressed criticism or concerns about issues including:

- the level of detail in the proposal, and the engagement process
- what it would mean for their council and local communities
- the prospect of neighbouring but diverse councils being merged
- the short-term costs of the reform
- potential risks of 'distracting' from focusing on improving outcomes, and the impacts on the local government workforce

7. These and other points were also raised during a debate in Parliament on local governance reform on 29 September. PSR Secretary Ivan McKee emphasised the Scottish Government's aim of empowering communities as part of its plans, and said previous engagement exercises including the 'Democracy Matters' programme and citizens' assemblies have shown that "accessibility, not apathy, is the issue with local democracy".

8. Mr McKee and other ministers have said the published proposal on local governance reform is "a starting point for debate" but that they want to work at pace. The First Minister has said the Scottish Government will set out its response to issues raised during the three-month engagement on PSR in the new year and 'well before' council elections in May 2027.

9. Deputy First Minister Jenny Gilruth told the Finance and Public Administration Committee that the Scottish Government is "off course" in terms of meeting its target of reducing the public sector headcount by 0.5 per cent each year. Mr McKee told the PSR Committee local government is not included in that target, recognising its separate democratic mandate and that its workforce has already been reduced over recent years.

10. Meanwhile COSLA said council leaders have expressed "serious concerns" about the Scottish Government's plans to move social care under NHS control. COSLA said the proposal "could risk medicalising disability, care and support", and that social care and social work "must be seen as an equal partner to the NHS, not subsumed within it".

11. The Chancellor announced the UK Budget 2027/28 on 28 October – after this report was produced. I will provide a verbal update at the meeting on any key points of relevance or interest to the Commission.

Local government finance issues

12. Scottish Labour leader Michael Marra claimed councils are under-funded by around £2 billion in 2025/26, compared to what they would have received if their allocation had kept pace with the Scottish Government's funding from Westminster. Labour says the UK Government block grant has increased by 20.3 per cent in real terms since 2013/14, but the local government settlement has only increased by 5 per cent in that time.

13. Labour's figures include a breakdown by council, which shows for example that Glasgow City Council's funding would be £357 million higher, and City of Edinburgh Council's funding would be £147 million higher, if their allocation had increased in line with the growth in the block grant.

14. Glasgow City Council and Unison reached an agreement regarding the new pay and grading structure. The deal means all three unions will ballot their members on the new structure, the council will not consider 'firing and rehiring' staff, and those facing reductions in salary as a result of the changes will now have pay protection for three years. However, Unison recommended its members reject the offer, saying there is not enough money to support those losing out, and some staff still do not know how they will be affected as their jobs have not yet been evaluated.

15. There has been some reporting recently regarding the finances of individual councils and Integration Joint Boards (IJBs):

- Angus IJB faces a £9.5 million overspend in 2026/27, which was described as "quite a different picture" compared to previous years, with "temporary measures" being considered to address it. Meanwhile, the council is projecting a £1.6 million overspend
- Dundee City Council is facing a budget shortfall of nearly £13 million in 2027/28 according to a report on its financial position
- East Ayrshire IJB is still not operating on a financially sustainable basis despite receiving £8.6 million in one-off emergency council support, according to its annual audit report
- Midlothian Council had a net overspend of £4.8 million in the first quarter of 2026/27 according to a council report that also showed cuts to home-to-school transport will save £1 million this year
- North Ayrshire IJB is still facing an overspend of £4.3 million in 2026/27 despite cutting support packages earlier this year.

Policy area updates

Child poverty

16. The Joseph Rowntree Foundation's (JRF's) Poverty in Scotland 2026 report said Scotland is on course to miss legally-binding targets to cut child poverty "by a wide margin". The report says:

- Twenty-one per cent of children and 17 per cent of the overall population live in poverty, with progress limited in recent years; the UK child poverty rate is 28 per cent
- "The Scottish Government needs a bolder and properly funded plan to reduce poverty in Scotland", while "local government needs to play a bigger role in poverty reduction, both in its delivery and in a healthier relationship with the Scottish Government". It also warns of the risk of "bandwidth" being taken up with structural change
- Councils should: prioritise poverty prevention across a range of services including employability, housing, childcare and schools; improve partnership working and use of data to enable more joined-up support for families; and improve engagement with the public, particularly those with lived experience of poverty.

17. Meanwhile it was reported that teachers are witnessing rising levels of poverty in their classrooms but only one in three are confident the Scottish Government's child poverty targets will be met. A survey commissioned by a children's charity found 74 per cent of teachers have seen an increase in children affected by poverty-related challenges such as hunger, financial stress and a lack of resources over the last decade.

Education, children and young people

18. Education Secretary Mairi McAllan has said there is still no costing for the pledge to cut teachers' class contact time. However, Ms McAllan told the Education Committee that a COSLA estimate of £300 million is "not accurate and not affordable". Leaders of representative bodies and trade unions told the committee of their concerns about teachers' workloads, saying some are working up to 80 hours a week, and reducing class contact time "will not be a panacea" for all the problems in schools.

19. Aberdeenshire Council says its current school estate is 'unsustainable' due to falling rolls and ageing buildings, and has unveiled a new learning estate strategy that could see a number of rural schools closed. Primary school pupil numbers have fallen by 500 in the last year with a similar drop expected for 2027/28. Dozens of schools are operating at half capacity or less, and the strategy sets out proposals for merging or closing schools.

Health and social care

20. Health Secretary Angela Constance has warned Scotland faces a "difficult" winter as she pledged that the "status quo" on delayed discharge must end and accepted that corridor care should be formally measured. Figures showed the number of patients waiting more than four hours in A&E reached its highest total on record in August with more than 50,000 people not dealt with in the target time.

Housing and homelessness

21. The latest official housebuilding statistics showed:

- The number of homes being built in Scotland was at its lowest level in around a decade in the year to June 2026, with 15,543 homes started and 17,057 new homes completed. The latter figure is down by 11 per cent compared to the previous year.

- Edinburgh, the Lothians and Fife accounted for 39.5 per cent of all new-build completions in Scotland in the year to June, according to analysis by a property firm.

22. Scottish councils failed to fulfil their statutory obligation to provide shelter for homeless people a record 21,800 times in 2025/26, up by 32 per cent from 16,460 in 2024/25, according to analysis of council returns. Scottish Labour analysis of official figures showed 1,350 families have spent more than two years in temporary accommodation.

23. More than 3,000 homes are to be built over 30 years across nearly 600 acres south of Stirling to create a new village of Durieshill, which will have its own schools, shops, parks and other facilities.

24. Councillors in Dundee have approved a £21 million remediation programme for hundreds of homes affected by reinforced autoclaved aerated concrete. The works will involve installing new structures below affected roofs in council-owned properties. The council is to ask the UK and Scottish Governments for funding support for private homeowners.

Transport and infrastructure

25. Angus Council is working together with Dundee, Perth & Kinross and Stirling councils on a £6 million joint programme to upgrade bus shelters across the four council areas. Meanwhile the three Ayrshire councils have joined forces with each other and a private operator to deliver more than 600 electric vehicle chargers at 300 locations across the region.

26. Buses in Scotland will be brought under public control by 2031, the First Minister has announced. It is understood the change will give regional transport partnerships more control over routes and fares. Meanwhile the Highland Council is taking over the operation of bus services in Wick and Thurso from Stagecoach, including school transport and private hires.

27. Bridges and tunnels could transform the economies of Scotland's islands, according to a report by Westminster's Scottish Affairs Committee, which says the ageing and "unreliable" ferry network is placing "intolerable limitations" on island communities. The Committee chair says local people must have the right to decide whether fixed links are worth the potential risks to island identity and pressure from increased visitor numbers.

Other updates

28. Aberdeen City Council has appointed Andy MacDonald as its new Chief Executive, replacing Angela Scott, who left to join the University of Dundee. Mr MacDonald was previously Executive Director for Corporate Services and had been interim Chief Executive since Ms Scott's departure.

29. Recent publications and updates of possible interest to members (besides those referenced earlier in this report) are listed below:

- Scottish Government (SG):
  - SPICe: History of fiscal devolution: taxes, reliefs and policy issues for Session 7
  - SG: Re-thinking trust in Scotland: from theory to practice
  - Prosper: "Scotland faces hard truths and tough choices"
- Scottish local government:
  - Centre for Public Policy and Fraser of Allander Institute: Policy Insights: Reforming Scotland's local government
  - BBC: Scotcast – "Is your council about to be abolished?" *podcast episode with Cllr Kelly Parry and Cllr Owen O'Donnell*
  - LGIU (Local Government Information Unit): Scottish local government reform: do the councillor numbers add up?
  - LGIU: How to run an effective council budget consultation
  - COSLA: Statement on the European Charter of Local Self-Government being incorporated into Scots law
  - COSLA: Comment on the Prime Minister's speech on devolution
- English local government (all LGIU):
  - Rewiring the state: unlocking local government's role
  - Autumn 2026: what to expect in English local government
  - Party conference season: what it means for local government
- Health and social care:
  - SG: Health and care reform: overview
  - COSLA: Landmark report on reducing health inequalities (*'A Fairer, Healthier Scotland' by the Institute for Health Equity)*
  - SPICe: NHS and social care workforce in Scotland
- Auditor General reports:
  - Renewable energy: The Scottish Government's Offshore Wind Investment Programme

Conclusion

30. The Commission is invited to note this report and consider any implications for its work programme.

ACCOUNTS COMMISSION

Chair's update

Item 7

Chair of the Accounts Commission

Meeting date:
05 November 2026

Purpose

1. This report provides an update on the engagements and work of the Chair of the Accounts Commission since the Commission met last and upcoming engagement before the next meeting.

Recommendations

2. The Commission is invited to note this report and enquire about any areas of interest.

Engagement and Commission business

Commission business

- Regular meetings with Sarah Watters (Director for the Commission), Helena Gray (Controller of Audit) and Lee Ovens (Executive Assistant)
- 08 October – Audit Scotland and Accounts Commission budget 2027/28 engagement with Commission budget sub-group
- 28 October – Local Government Financial Bulletin and Councils at a Glance sponsors discussion with Derek Yule (Commission member), Helena Gray and Performance Audit and Best Value (PABV) colleagues
- 29 October – Annual Audit Planning Conference
- 02 November – Accounts Commission preparatory session with Andrew Burns (Deputy Chair) and Commission support team

Audit Scotland engagement

- Regular meeting with Stephen Boyle (Auditor General)

Forthcoming activities

- Regular meetings with Sarah Watters, Helena Gray and Lee Ovens, and with Stephen Boyle, Vicki Bibby (Chief Operating Officer) and Alison Cumming (Executive Director of PABV)
- 10 November – Audit Scotland Audit Committee and Remuneration and Human Resources Committee meetings

- 23 November – East Dunbartonshire Council section 102 report media day
- 23 November – Audit Scotland Board preparatory meeting with Sarah Watters and Helena Gray
- 24 November – Regular (two-monthly) meeting with Catriona MacKean (Deputy Director for Local Government at Scottish Government)
- 25 November – Accounts Commission members' forum with Kevin Rush (Executive Director of Economic Growth for Glasgow City Region)
- 25 November – Midlothian Council Best Value report media day (TBC)
- 26 November – Audit Scotland Board meetings
- 08 December – Best Value follow up visit to West Dunbartonshire Council
- 09 December (TBC) – Integration Joint Board roundtable discussion (as financial reporting sponsor) alongside Derek Yule, Helena Gray and PABV colleagues

Conclusion

The Commission is invited to:

- Note this report and enquire about any areas of interest.

ACCOUNTS COMMISSION

Best Value: Midlothian Council

Item 8

Director for the Accounts Commission

Meeting date
05 November 2026

Purpose

1. This paper introduces the Controller of Audit's report on Best Value in Midlothian Council, which has been produced following the 2025/26 audit of the council. The paper outlines the process to be followed, including publication arrangements.

Recommendations

2. The Commission is invited to:

- consider the Controller of Audit's Best Value report
- note the process to be followed in relation to the report
- decide how it wishes to proceed
- approve the proposed publication arrangements.

Background

3. At least once during the current five-year audit appointment, the Controller of Audit (CoA) is required to report to the Commission on Best Value in each council. These reports are based on the best value audit findings reported in Annual Audit Reports (AARs), prepared by independent external auditors. The CoA's report draws the Commission's attention to how effectively a council demonstrates Best Value through continuous improvement in how it delivers its strategic priorities.

4. Best Value audit work is fully integrated into annual financial audit work and is reported in AARs. It also includes follow-up and Best Value work on a particular theme agreed annually, providing judgements on the pace and depth of continuous improvements and service performance.

5. The theme to be looked at as part of 2025/26 audits is asset management – how well councils are managing assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change. The CoA's report also draws on this work.

6. The Best Value thematic report and the AAR for Midlothian Council were presented to the council's Audit Committee on 22 June 2026 and 30 September 2026 respectively.

The Controller of Audit's report

7. The report on Best Value in Midlothian Council is made by the CoA 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 the Chief Executive of Midlothian Council on 28 October 2026. The council has been advised of its obligations to supply a copy of the report and the AAR on which it is based to each council member and to make additional copies available for public inspection. Once the CoA's report is sent to the council, it is effectively in the public domain.

Process

10. The Commission will consider the CoA's report during the public session of its meeting. Members of the audit team will be present and will be available to answer questions on the evidence and judgements presented in the AAR, with a focus on Best Value.

11. The Commission will then decide, in private, how it wishes to proceed. The legislation provides that, on receipt of a CoA report, the Commission may do (in any order) all, any, or none of the following:

- direct the CoA 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. The Commission is obliged to inform the council of its decision on how it will proceed shortly after the Commission meeting – this is done on its

behalf by the Director for the Accounts Commission – before making its decision public.

14. If the Commission chooses to make findings, the council is required by statute to do the following:

- consider the findings of the Commission at a meeting of the full council within three months of receiving them
- publish in a newspaper circulating in the local area a notice stating the time and place of the council meeting, indicating that it is to consider the findings of the Commission and describing the nature of those findings (at least seven clear days before the meeting)
- after the council has met, notify the Commission of any decisions made, and publish in a newspaper circulating in the local area a notice containing a summary, approved by the Commission, of the council's decision.

15. The Commission asks the council for a meeting, preferably in the period between the Commission publishing its report and full council considering it, to do the following:

- discuss what the council thinks of the Commission's decision and its findings (if applicable), and what the council will do in response to the Commission's report
- confirm any next steps and review the audit process.

Publication arrangements

16. The report is due to be published on 2 December 2026, with the previous day being held for any media interviews. Either Jo Armstrong or Andrew Burns will front the media for this report, depending on their availability.

17. Communications outputs for the Best Value report will be prepared including a news release and social media. A range of communications and engagement work will be undertaken with local and national media and stakeholders, as appropriate.

Conclusion

18. The Commission is invited to consider the recommendations set out at paragraph 2 of this report.

Best Value

Midlothian Council



ACCOUNTS COMMISSION

Prepared by the Controller of Audit
November 2026

Contents

Key facts	3
Controller of Audit report	4
Appendix 1	18
Appendix 2	20

Accessibility

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

Key facts

136.7	Square miles
100,390	Population (mid-2025 estimation)
8.7%	Proportion of all data zones in Midlothian that are within the 20 per cent most deprived in Scotland, according to Scottish Index of Multiple Deprivation (2020)
4,227	Workforce (FTE)
18	18 Elected members 9 Scottish National Party, 6 Scottish Labour and 2 Conservative, and 1 other
£19.4m	General Fund funding gap (after savings) projected to 2028/29
£329.1m	Net revenue budget 2025/26
£99.8m	Capital expenditure 2025/26 (General Fund £52.7 million and Housing Revenue Account £47.1 million)

Controller of Audit report

1. This report is made by the Controller of Audit to the Commission under Section 102(1) of the amended Local Government (Scotland) Act 1973. It is based on evidence collected in the annual audits of the council from 2022/23 to 2025/26, with the latter reported in September 2026. Appendix 1 includes links to annual audit reports (AARs) since 2022/23 and Appendix 2 includes a link to the Best Value Statutory Guidance.

2. The reporting of Best Value is undertaken through the annual audit of each council and includes detailed work focusing on a Scotland-wide theme. The Best Value theme for 2022/23 was councils' leadership of the development of new local strategic priorities while the 2023/24 theme focused on workforce innovation. The theme for 2024/25 was transformation and how councils are redesigning and delivering services to achieve planned outcomes and the theme for 2025/26 was asset management.

Pace of continuous improvement

3. The council has made good progress since its Best Value Assurance Report in 2019. It has responded positively to audit recommendations and made substantial progress in a short period of time on recent areas identified for improvement by auditors, while maintaining existing areas of strength.

4. The council has made progress with auditors' recommendations in relation to transformation. This has included improvements in prioritisation of projects, governance, oversight and reporting to senior officers and elected members, and public reporting.

5. However, the council will need to accelerate the pace and scale of transformation activity if it is to achieve medium-term financial sustainability, not least because it has the fastest-growing population in the medium term of any council area in Scotland. By 2032, Midlothian's population is projected to grow to 111,292 people, which presents opportunities and challenges for the council and has implications for the pace and scale of transformation that the council needs to deliver.

6. In recent years the council has been reliant on reserves to balance its budget which is not sustainable. To mitigate the projected budget gap, the council recognises it must identify and deliver substantial recurring savings through service reprioritisation.

Best Value Assurance Report (BVAR) follow up

7. In its 2019 BVAR, the Commission concluded that the council needed to make significantly better progress against its Best Value obligations and made eight recommendations, including: refining its vision following consultation; developing a medium-term financial strategy (MTFS); aligning workforce planning to that strategy; improving working relationships between elected members and officers; strengthening scrutiny and personal development planning for elected members; reviewing the capital programme and improving monitoring; continuing financial planning to address budget gaps; and building on positive community empowerment work. The 2024/25 AAR noted that all actions have been implemented.

8. The Commission recognised the council's strong record of joint working with partners but also emphasised the urgent need to introduce an MTFS and for elected members to provide stronger leadership in delivering change and making difficult decisions about future services.

9. The MTFS has been in place since December 2023 and a recently updated version presented to the council in June 2026. Auditors highlighted in the 2025/26 AAR that the MTFS sets out the council's aim to achieve financial sustainability by ensuring that recurring expenditure is supported by recurring sources of income, however, the council has identified significant gaps and closing these will require the delivery of substantial recurring savings through service reprioritisation, transformation and redesign. The council have managed the budget to date through council tax increases, use of reserves, income generation (particularly growing income in leisure services) and moderate savings.

10. Auditors observed improved working relationships between elected members and officers, in areas including the Cost-of-Living Taskforce and the Transformation Blueprint. Additionally, there are examples of effective cross-party working through groups such as the Business Transformation Steering Group, which is working to deliver the Transformation Blueprint, scrutinises transformation proposals prior to being presented at council, advises on transformation priorities and risks, and allocates funding from the council's Transformation Fund.

Vision, leadership and governance

11. Auditors concluded that the council's arrangements for vision, leadership and governance are effective and appropriate. The council has a well-developed strategic planning framework comprising the Single Midlothian Plan (a local outcome improvement plan shared with its community planning parters) its Corporate Plan and supporting operational plans. Together, these documents set out the council's vision, priorities and intended outcomes and provide a clear basis for planning and delivering services.

12. The council has detailed financial and performance reporting in place, both internally and externally, that is linked to its operational plans, with effective scrutiny and challenge of performance provided by the Performance Review and Scrutiny Committee.

13. Auditors have not raised any concerns around the conduct of committee meetings and elected member engagement and have commented on the positive working relationships.

Citizen and community engagement

14. Auditors highlighted in the 2025/26 annual audit that the council reported it was able to demonstrate strong achievements and performance around community engagement.

15. The council has previously engaged with its communities as part of its budget setting asking its residents to rate the extent to which savings proposals would negatively impact them. In the 2024/25 Best Value thematic report on transformation, it was noted that four out of the five transformation projects prioritised for 2025/26 were included in the budget consultation and results for all four showed that the majority of respondents rated these as having a low or no negative impact on them.

16. As reported in the Best Value thematic on asset management, the council has been able to demonstrate how its engagement with communities on its assets has been used to inform decisions, for example it included feedback received from communities to inform the design of the Mayfield Learning Community Campus. Additionally, one of the ten key principles underpinning the council's Strategic Infrastructure Investment Framework is that decision-making should be 'community led', intended to ensure that community members have opportunities to comment on, and influence, decisions affecting them at each stage of the project development process.

Effectiveness of performance reporting

17. In 2024, the Accounts Commission published a new version of the Statutory Performance Information (SPI) Direction, which took effect from April 2025. Auditors concluded the arrangements the council has in place for preparing and publishing SPI are effective and appropriate. Auditors reported the council had fully implemented the recommendation relating to performance reporting from the 2023/24 annual audit.

18. The council has a well-established Planning and Performance Management Framework (PPMF) which provides a structured approach to monitoring performance and supporting delivery of outcomes. It was published in 2023 and recently refreshed in 2025.The council presents quarterly and annual performance reports to the Cabinet and the Performance, Review and Scrutiny Committee. In response to an audit recommendation in 2023/24, the council has put in place clear

arrangements to identify areas of underperformance and put in place corrective actions via service performance reports.

19. The council's Local Outcomes Improvement Plan, the Single Midlothian Plan, sets out the shared priorities and outcomes for Midlothian. The Community Planning Partnership Board regularly monitors performance against the plan, with annual reports setting out progress and key achievements. The council also uses a balanced scorecard to monitor the performance of services for which it is directly responsible.

Council performance reporting

20. In June 2026, the council presented the latest update of its Balanced Scorecard, to the Performance, Review and Scrutiny Committee. This set out progress against 122 performance indicators (PIs). A summary of these PIs for 2025/26 is set out below in Exhibit 1. Performance was mixed across the indicators, with slightly more indicators assessed as off target than on target.

Exhibit 1
Summary of progress on PIs for 2025/26

	On target	Off target	Data only	No data yet
Performance Indicator progress	**21 (17%)**	**24 (20%)**	**72 (59%)**	**5 (4%)**

Source – Midlothian Council Balanced Scorecard Year Report 2025/26

21. The council has incorporated 33 Local Government Benchmarking Framework (LGBF) indicators into its suite of performance indicators, with a breakdown of progress outlined in Exhibit 2 below. For these indicators, the number ranked in the top quartile has fallen and remained unchanged for the number ranked in the bottom quartile. Indicators performing better than the national average have declined, whilst indicators performing better than the family group average show a small increase.

Exhibit 2
Summary of progress on LGBF indicators incorporated into the Midlothian Council PIs between LGBF base year and most recent year

Measure	Percentage (Number) in LGBF base year	Percentage (Number) in most recent year
Ranked in top quartile	**48.5% (16)**	**24.2% (8)**
Ranked in bottom quartile	**21.2% (7)**	**21.2% (7)**
Better than national average	**54.5% (18)**	**48.5% (16)**

Better than family group average	**48.5% (16)**	**51.5% (17)**

Note: Base year varies per indicator

Source LGBF dashboard – 23 September 2026

LGBF performance

22. Exhibit 3 provides an overview of changes in all LGBF indicators, as of September 2026, for Midlothian alongside the averages for all Scottish councils. This shows a level of improvement in performance slightly below the national average. Of the 107 LGBF indicators, 58 (54 per cent) have improved since the base year, six (6 per cent) have remained the same, and 43 (40 per cent) have deteriorated.

23. The service areas with the highest proportion of indicators improving since base year were tackling climate change (80 per cent), children's services (75 per cent) and corporate services, environmental services and financial sustainability (all at 50 per cent). In contrast, the areas with the highest proportion of indicators declining were housing services (80 per cent), adult social work services (64 per cent) and culture and leisure services (57 per cent).

24. Performance against LGBF indicators in comparison to other councils has improved overall. Performance has strengthened for satisfaction and performance indicators but weakened for cost indicators. Fifty per cent of indicators were in the top two quartiles in the most recently published data, compared to 45 per cent in the base year. Nationally the council ranks 18th of 32 councils for indicators in the top two quartiles, performing below the area-based family group average and above the population-based family group average for this measure.

Exhibit 3

Midlothian Council – LGBF indicator summary September 2026

Council movements are shown alongside Scotland averages in brackets.

	Cost indicators	Performance indicators	Satisfaction indicators	All indicators
Movement in last year	**%**	**%**	**%**	**%**
Improved	**42 (54)**	**46 (47)**	**18 (36)**	**43 (42)**
Stayed the same	**11 (9)**	**24 (22)**	**9 (9)**	**20 (18)**
Declined	**47 (37)**	**29 (31)**	**73 (55)**	**37 (35)**
Movement since base year				
Improved	**42 (54)**	**64 (65)**	**9 (8)**	**54 (57)**
Stayed the same	**5 (1)**	**5 (6)**	**9 (3)**	**6 (5)**

Declined	**53 (44)**	**31 (29)**	**82 (90)**	**40 (38)**
Indicators in the top two quartiles				
- Most recent year	**47**	**55**	**27**	**50**
- Base year	**63**	**45**	**18**	**45**

Scotland average movements are shown in brackets.

Source: LGBF as of 23 September 2026

Workforce planning

25. The 2023/24 Best Value thematic review focused on workforce innovation. The council has made good progress in implementing the majority of the recommendations.

Workforce strategy and plans

26. In December 2024, the council approved a ten-year Workforce Strategy 2024-2034. This strategy was published after the Best Value thematic review on workforce; therefore, this has not been subject to detailed audit work. The strategy is accompanied by a short-term three-year action plan which will be refreshed when the strategy is reviewed in late 2026, alongside a performance report on the delivery of the strategy to date. The council plans to assess performance against success criteria set out in the strategy as well as re-examining the strategic context and workforce demand and supply.

27. One of the key themes of the council's Transformation Blueprint is the creation of a 21st-century workplace. This theme focuses on digital transformation and human resource management to automate a wide range of tasks to free up staff resources.

Flexible working and innovation

28. The council has organisational policies and practices in place to support flexible and family working which were developed collaboratively with workers and these are regularly reviewed. Supportive policies for staff include a carers policy, family leave policy and mental health and wellbeing policy.

29. The council's Hybrid Working Policy was approved in 2023 following extensive staff and Trade Union consultation. Hybrid working provides flexibility for staff and is promoted by the council as a non-financial benefit for employees. It is worth noting that most of the council's workforce are front facing but for those who have a role that can be delivered in a hybrid way, the council recommends and supports this way of working.

30. Following the 2023/24 thematic review recommendation to assess the organisational impact of hybrid and flexible working, the council explored

options for a formal assessment but continues to rely on informal analysis. This knowledge is used to help inform for example options for estate planning.

Developing future skills

31. The transformation review in 2024/25 outlines that the council has worked with education providers to develop a programme of entry level apprenticeships across key professional groups to enable the council to grow its own workforce. For example, since 2024 it has successfully recruited two Food Safety Officers from this programme and one modern apprentice in Regulatory Services to mitigate against a national shortage of qualified Environmental Health Officers and food safety officers. The council has also introduced staff development conversations which link to workforce succession plans.

Monitoring and impact

32. The council has an outstanding recommendation from the workforce thematic review, to ensure that organisational and service level workforce strategies are supported by appropriate performance management information, including quantifiable metrics. Auditors reported in 2025/26 that this is due be implemented by the end of December 2026 and include a performance report and completion of a strategy review.

33. The council does monitor a range of workforce data, for example sickness absence, staff turnover and workforce demographics as part of its performance reporting to Cabinet and the Performance, Review and Scrutiny Committee.

34. Additionally, the council is progressing a new approach to staff engagement to allow the council to gauge how staff are feeling about new workforce policies and initiatives. The new approach is due to be presented to Corporate Management Team in early 2027. Plans include a new staff survey, group sessions and other engagement methods.

Transformation

Strategy and planning

35. The council has clear objectives for transformation within its Transformation Blueprint, which it introduced in 2023. The Transformation Blueprint aligns with its MTFS and the Single Midlothian Plan.

36. The Transformation Blueprint is structured around five key themes. These are: follow the money; 21st century workforce; workplaces for the future; income generation and commercialisation; and multi-agency transformation. Each of the themes within the Blueprint has an elected member sponsor, promoting elected member oversight, and each includes a series of short projects called sprints.

Programme management and delivery

37. The council has effective governance arrangements in place to oversee the delivery of the Transformation Blueprint. This includes robust officer-led governance through the Business Transformation Board (BTB) and elected member oversight through the Business Transformation Steering Group (BTSG).

38. The council has developed a Transformation Blueprint dashboard which is used for reporting progress. This includes key risks as well as RAG status for the Blueprint as a whole and for individual projects. In the transformation Best Value review, there was a recommendation that the council should finalise its plans for its identified priority transformation projects, outlining savings to be achieved, costs and anticipated financial and non-financial benefits, the 2025/26 Annual Audit Report notes that this has now been implemented.

39. The council has used its Transformation Fund to maintain a Project Management Office (PMO) for a three-year period to October 2026 to support the implementation of the Transformation Blueprint. Decisions related to transformation resourcing will be progressed as part of the development of the next phase of the council's transformation programme and budget setting for 2027/28.

40. At the time of the 2024/25 transformation review, 24 projects were being monitored through the Transformation Blueprint, two of which were complete and 13 at the business case stage. The council identified five priority projects for 2025/26 and was developing plans to support these. Projects included 52-week provision of early learning and childcare, a one-stop shop pilot in Gorebridge, commercial opportunities at Vogrie Country Park and out of school childcare provision.

Partnership working and joint funding

41. The council has a strong track record of working well with partners to deliver transformation in Midlothian. Under one of the Transformation Blueprints themes - multi-agency transformation - the council established a board with its partners, the Multi-Agency Transformation Management Group with an aim to deliver whole system change. Partners which are represented on the group include NHS Lothian, Police Scotland, Scottish Fire and Rescue Service, University of Edinburgh, Edinburgh College, Scottish Ambulance Service and East Lothian Council.

42. The council worked with NHS Lothian and third sector partners through the health and social care partnership to develop the No.11 Recovery Hub to provide shared care for recovery and services which focus on early intervention and prevention, mental health, substance misuse and justice services for adults.

43. Auditors reported that the council has secured funding opportunities with the Scottish Government and private sector partners to support joint

ventures. This included a joint venture with a private energy firm, for district heating networks and other low-carbon energy projects in Shawfair known as Midlothian Energy Limited (MEL). The council provided a £1.6 million in shareholder equity injection into MEL and a further £8.6 million for the project to proceed. This funding has been matched by the partner energy company. MEL has also benefited from £7.3 million of funding through the Scottish Government's Low Carbon Transition Programme.

Impact and monitoring

44. The council reports the impact of its transformation activity and uses feedback to inform projects. Examples of projects include **Equipped for Learning** and **No.11 Recovery Hub** projects. The council took on board survey results from staff, families and pupils to help inform the Equipped for Learning Digital Strategy 2024 and subsequently for setting the priorities for the programme moving forward. It has provided a range of data on the outputs and outcomes generated through the No.11 Recovery Hub. For example, the council reported that 107 people engaged in ongoing support through the Midlothian Young Peoples' Advice Service, of which 47 reported a reduction in substance use and 11 reported becoming drug-alcohol free.

Equipped for Learning is a five-year project (2021-2026) aims to equip learners with digital skills for learning, life and work.

No.11 Recovery Hub – the council has worked with NHS Lothian and third sectors partners through the health and social care partnership to develop the No.11 Recovery Hub. This provides shared care for recovery and services which focus on early intervention and prevention.

45. In the 2025/26 Annual Audit Report, auditors reported that the council had implemented the Best Value thematic review recommendation to consistently document how it will mitigate potential negative impacts from transformation proposals in its integrated impact assessments. Project managers all undergo integrated impact assessment training when they begin employment and are made aware of obligations to ensure integrated impact assessments are carried out on projects where required.

Asset management

46. The 2025/26 Best Value thematic topic was asset management. The focus of the work was how councils are managing assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change.

Asset management planning

47. The council's strategic approach to asset management is captured across a number of strategies, including its Learning Estate Strategy, Capital Investment Strategy 2018-28, Transformation Blueprint 2023-28 and, more recently, the Property and Estates Asset Management Plan.

48. The council does not yet have an overarching asset management strategy, creating a risk that asset-related decision making may be fragmented. It is currently preparing a Corporate Asset Management Strategy, scheduled for implementation in May 2027.

Governance and performance

49. The council has clear governance arrangements for monitoring progress with its capital programme and asset management plans through the Capital Plan and Asset Management Boards and programme boards. There are also clear governance arrangements in place for elected members to scrutinise progress with the capital plan.

50. The council's performance reporting on assets is fragmented. Performance is mainly reported through quarterly Place Directorate reports and annual balanced scorecard indicators, creating an opportunity for more cohesive reporting on asset management performance. This would support clearer assessment of impacts on the capital programme and service delivery.

Partnership working and community engagement

51. The Midlothian Multi-Agency Transformation Management Group is being used as a forum to progress plans for sharing assets across public sector organisations within the wider Lothian region. Discussions are still at a relatively early stage.

52. The council have provided examples where it is working collaboratively with a range of public, private and third sector partners to maximise the use and impact of its assets. Examples include joint initiatives to deliver low-carbon energy infrastructure to homes, shared health and recovery services, new education facilities in Shawfair, and the redevelopment of Midlothian House as a co-located hub for public and third sector services.

53. The council's Asset Management Plan states that public consultation with local residents and the wider community will take place whenever proposals affect service delivery.

54. The council can demonstrate how it has used feedback received through community engagement to inform its decisions on various projects such as the Gorebridge Hub, Mayfield Learning Community Campus and Midlothian House. Previous budget engagement exercises have shown strong community support for retaining leisure and library services and informed the council's February 2026 decision to create the Gorebridge Hub by relocating the library to Gorebridge Leisure Centre. Another example includes feedback from drop-in sessions relating to the ground floor layout of Midlothian House, with the council reporting changes to the original layout following engagement.

Financial management and sustainability

55. Overall, the council has appropriate and effective budget setting and financial management arrangements. While the council has demonstrated effective in-year financial management and budgetary control arrangements, the scale of the projected funding gap highlights the importance of timely decision-making and delivery of planned savings and transformation measures. It is essential that officers and elected members work together to accelerate the pace of delivery and scale of transformation activity if the council is to achieve financial sustainability.

Exhibit 4
Midlothian Council – key financial information

Budget setting	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
Budget gap	7.8	5.5	7.3	9.3
Additional funding approved as part of budget setting:	0.1	3.5	5.8	2.7
Total base budget gap	7.9	9.0	13.1	12.0
Base budget gap planned to be balanced by:	7.9	9.0	13.1	12.0
Approved savings measures	3.6	2.0	2.0	0.6
Utilisation/(Enhancement) of reserves	1.0	6.8	4.1	4.1
Council tax increase	3.0	0.0	6.6	6.7
Council tax on second homes	0.1	0.1	0.0	0.0
Council tax on unoccupied dwellings				0.2
Fees and charges	0.2	0.1	0.4	0.4
Total funding of base budget gap	7.9	9.0	13.1	12.0
Savings delivered (relative to value agreed in setting the budget)	3.4	1.7	1.2	*N/A*
Actual in-year utilisation of reserves	9.1	19.8	7.6	*N/A*

Source: Midlothian Council audited annual accounts and budget documents

Financial sustainability

56. The council continues to operate within a challenging financial environment, with funding pressures affecting the wider public sector. With Scotland's fastest-growing population over the medium term, Midlothian also faces significant additional demand-led cost pressures. Notably within the growing population are increasing proportions of ages 0 to 15 years and over 75s which are contributing to the substantial increased demand for education, social care and related services.

57. The council's latest medium-term financial forecasts identify an underlying funding gap of £15.3 million in 2027/28, increasing to £25.9 million by 2028/29. After taking account of planned council tax increases and the planned use of reserves, a residual funding gap of £6.2 million remains in 2027/28, rising to £14.9 million by 2028/29.

58. The council has established a Transformation Blueprint and consulted on savings proposals as part of its financial planning arrangements. The level of savings and transformation benefits achieved to date is modest compared with the scale of the projected funding gap. The council will therefore need to accelerate the pace and scale of transformation activity if it is to achieve long-term financial sustainability.

Financial management

59. The council reported an unplanned net overspend of £1 million in 2025/26 which was funded through additional utilisation of reserves. The most significant service overspends related to external residential placements for children (£1.9 million), pupil transport (£1.1 million), maternity cover and temporary staffing within schools (£0.6 million), increased insurance claims (£0.7 million), and higher waste disposal costs (£0.5 million). These pressures were partly offset by favourable variances, including a £3.8 million underspend on loan charges, additional income from the Alpine Coaster (£1 million), and lower-than-budgeted costs across learning settings for children and young people (£0.7 million).

60. During 2024/25, in response to financial pressures, the Chief Executive introduced a moratorium on non-business critical expenditure. This was extended into 2025/26, alongside strengthened and formal scrutiny arrangements to monitor Directors' progress in delivering required recovery actions. In light of continuing financial pressures, the moratorium, supported by these oversight arrangements, has also been carried forward into the 2026/27 financial year and strengthened further.

IJB financial pressure

61. In 2025/26, Midlothian Integration Joint Board (MIJB) spend on adult social care services exceeded the agreed budget of £71.7 million by £2.8 million. In accordance with the Integration Scheme, a further allocation of £2.8 million was provided by the council to address the shortfall, in the absence of usable IJB reserves, contributing to the council's overall overspend of £1 million.

62. For 2026/27, the council approved a £75.122 million funding package for the MIJB. This is an increase of more than £3.6 million on the previous year. There is again a significant risk of overspend on adult social care in 2026/27. Current projections show an unplanned overspend of £3 million.

Savings

63. The council has found it increasingly challenging to deliver its agreed savings targets over the past three years. While 94 per cent of the target was achieved in 2023/24, this fell to 60 per cent in 2025/26, leading to a growing reliance on reserves to balance the budget. In 2025/26, the council delivered £1.2 million of savings against a £2.0 million target. Approved savings measures have reduced significantly to £0.6 million for 2026/27.

64. The level of savings and transformation benefits achieved to date is modest compared with the scale of the projected funding gap. The council will therefore need to accelerate the pace and scale of transformation activity if it is to achieve long-term financial sustainability.

Reserves

65. Auditors concluded that the council has relied on reserves and one-off measures, including **service concession flexibilities**, to manage financial pressures in recent years. In 2025/26, the General Fund balance decreased to £24.4 million, of which £17.8 million is earmarked. This is leaving a non-earmarked balance of £6.6 million (2.65 per cent of the 2025/26 budget, £1.4 million above the approved two per cent minimum level in the council's reserves policy), to mitigate future unplanned overspends. The council's latest financial projections are forecasting an overspend of £4.8 million in 2026/27.

Service concession flexibilities are a temporary accounting change that allowed councils to spread the cost of certain long-term contracts over a longer period.

Capital programme and investment

66. Capital expenditure in 2025/26 totalled £99.8 million. General services capital expenditure accounted for £52.66 million of this total, with £47.10 million capital expenditure in 2025/26 relating to investment in the housing revenue account (HRA). The general services capital spend of £52.66 million was against an original budget of £61.25 million, which was subsequently revised to £53.53 million in year. The HRA capital spend of £47.10 million, was against an original budget of £59.99 million, recording an underspend of £0.15 million and a reprofiling of £12.80 million to future years.

67. Auditors reported in the 2025/26 Best Value thematic report on asset management that the council demonstrates a strong commitment to affordability, with the General Services Capital Plan undergoing a

prioritisation exercise since 2022. This was in recognition that the full capital plan could not be delivered within its available resources and the need to manage borrowing levels to ensure they remain affordable.

68. The council has incorporated projected borrowing costs for capital investment into its planning assumptions within its MTFS. The council has a low ratio of financing costs to its net revenue stream. This is a prudential indicator which specifies how much of the council's annual revenue budget is spent financing debt. In 2024/25, the council's ratio was 1.6 per cent, which was below the Scottish and family group averages of 6 per cent and 5.2 per cent respectively. This was the second lowest rate in Scotland.

69. The council has well-established governance arrangements in place to monitor delivery of its capital programme. Oversight is provided through the Capital Plan and Asset Management Boards and programme boards. Elected members receive regular updates, providing opportunities to scrutinise progress against the capital plan. Auditors noted the programme is experiencing significant slippage, with inflationary pressures and market conditions contributing to increased development costs and delivery challenges.

Appendix 1

2022/23, 2023/24, 2024/25 and 2025/26 Annual Audit Reports

These reports summarise the findings from the 2022/23, 2023/24, 2024/25 and 2025/26 annual audits of Midlothian Council.

Each Annual Audit Report comprises:

- significant matters arising from the audit of the council's Annual Accounts.
- conclusions on the council's performance in meeting its Best Value duties.
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
  - Financial management
  - Financial sustainability
  - Vision, leadership and governance
  - Use of resources to improve outcomes.

Insert AAR cover image	2022/23 Annual Audit Report Midlothian Council December 2023	**Insert AAR cover image**	2023/24 Annual Audit Report Midlothian Council November 2024
Insert AAR cover image	2024/25 Annual Audit Report Midlothian Council September 2025	**Insert AAR cover image**	2025/26 Annual Audit Report Midlothian Council September 2026

Appendix 2

Best Value Statutory Guidance

The Local Government in Scotland Act 2003 introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development.
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Best Value

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AS.5.0