

Minutes

Thursday 15 May 2025 10.00am

Audit Scotland offices, 8 Nelson Mandela Pl, Glasgow G2 1BT, and online via Microsoft Teams
521st meeting of the Accounts Commission

Present:

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

In attendance:

Sarah Watters - Secretary to the Accounts Commission
Helena Gray - Controller of Audit
Vicki Bibby - Chief Operating Officer
Alison Cumming - Executive Director of Performance Audit and Best Value (PABV)
Joe Chapman - Policy Manager
Gary Devlin, Partner, Azets (Item 5)
Adrian Kolodziej, Senior Manager, Azets (Item 5)
Rebecca Seidel, Senior Manager, PABV (Item 11)
Fiona Brannigan, Audit Manager, PABV (Item 11)
Blyth Deans, Audit Director, PABV (Item 12)
Martin McLauchlan, Senior Manager, PABV (Items 12 & 14)
Zoe McGuire, Audit Manager, PABV (Item 12)
Carol Calder, Audit Director, PABV (Item 13)
Kathrine Sibbald, Senior Manager, PABV (Item 13)
Chris Lewis, Senior Auditor, PABV (Item 13)
Owen Smith, Director of Audit Quality and Appointments (Item 15)
John Gilchrist, QA Manager, Audit Quality and Appointments (Item 15)

1. Apologies for absence

Apologies had been received from Andrew Cowie, Christine Lester and Ruth MacLeod.

2. Declarations of connections

Jo Armstrong declared a connection with items 5 and 10 on the agenda, due to her former position as Chair of the Board of Hub West Scotland (HWS), which is a partner in delivering capital projects for Renfrewshire Council. Prior to this meeting, Audit Scotland's Deputy Ethics Partner agreed that Jo should recuse herself from these discussions, but did not need to leave the room as she no longer sits on the HWS board. It was agreed that Andrew Burns chair both items, as Deputy Chair.

Carol Evans declared a connection to item 11, as a member of the Board of SEPA. As this is a current connection, it was agreed with the Deputy Ethics Partner prior to the meeting that Carol should recuse herself from this item and leave the room during this discussion.

Finally, Jennifer Henderson declared a connection to item 15 as Chief Executive of the public body Registers of Scotland which is audited under Public Audit in Scotland (PAIS). It was agreed it was not necessary for Jennifer to be recused during this item. Carol Evans, Malcolm Bell, and Angela Leitch also declared connections to item 15, as they sit on boards of bodies that fall under PAIS. As these bodies fall under the remit of the Auditor General, it was also agreed it was not necessary for them to recuse themselves.

3. Order of business

It was agreed that items 9 to 17 would be considered in private, for the reasons stated on the agenda.

4. Minutes and matters arising from previous meetings

It was agreed that the minutes of April's meeting were an accurate reflection of the discussion, and the minutes were approved as final.

Sarah Watters provided the following updates on the actions from April's meeting:

- Item 4 – The Commission's visit to Argyll and Bute to discuss their findings has been arranged for 28 May.
- Item 7 – Jo Armstrong's 'Insight' event has been rescheduled to 22 May.
- Item 14 – Audit Scotland's quarterly corporate performance reports will be shared with Commission members by email in future, with opportunities for members to raise any issues with the Chief Operating Officer or Secretary (or vice versa).

5. Best Value: Renfrewshire Council

The Commission considered the Controller of Audit's report on Best Value in Renfrewshire Council. The discussion was structured according to the following themes:

- Finances, including:
 - Savings - baselined when agreed, with non-delivery reported to individual service boards
 - Reserves – previously used to bridge funding gaps, but plan to use to support investment and smooth spending in future
 - IJB – significant financial risk; IJB reserves projected to be fully drawn down by the end of 2025/26
 - Dargavel – estimated £75 million expected additional burden, with impact on revenue budget; clearer view expected from reporting in September
 - Capital – ambitious £700 million programme over the next 5 years; risks of delays which the council is taking steps to manage, and the auditors will monitor.
- Transformation, including:
 - Strong track record, particularly digital; £26 million in savings delivered by “Right for Renfrewshire” programme since 2020. Key to delivering on medium-term financial plan
 - Current phase includes digital, service redesign, strategic procurement and commissioning, use of place-based assets, and income generation; more detail to follow
 - High-level savings with narrative reported to oversight board. Need for more clarity in use of business cases and options appraisals, and setting out success criteria
 - Renfrewshire considered sharing internal audit and counter-fraud services with other councils but decided it would not offer value for money; auditors satisfied with this judgement.
- Workforce, including:
 - Use of cultural assurance model to improve organisational culture through self-assessment and staff input, in response to previous Commission reports. Exemplar, developed with Improvement Service, and now being shared with others
 - Workforce planning – KPIs now in place as of February 2025 so progress not audited yet but will be in future. Similar for benefits and impact of flexible and hybrid working.
- Community engagement, including:
 - Examples including £1.2 million allocated for participatory budgeting over three years, Celebrating Renfrewshire fund designed by and for young people, and local bid funds
 - Policy recently reviewed and renewed, and the council is working on demonstrating how community engagement and consultation informs decision-making – noting that it will need to take decisions that may be unpopular.
- Performance, including

- Fairer Renfrewshire programme of interventions to tackle poverty and inequality, with examples of targeted actions to reduce poverty in specific areas
- Impact being monitored, including reduction in poverty-related attainment gap to pre-pandemic level, and fifth-best council in Scotland for positive destinations
- Need for clarity around expected outcomes given council context and level of spend, recognising it is difficult to make specific links between budgets and performance given other factors.
- Leadership, including:
 - Good work in officer training and development; varying levels of take-up of member training, but full attendance at training for Audit, Risk and Scrutiny Board members, who are now actively seeking training from auditors
 - Leadership Development Programme – adapted following first cohort, and work underway to assess effectiveness. Council-wide approach to planning for skills and capacity.

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, providing an update on significant recent activity relating to local government. Joe highlighted the following two items:

- The Programme for Government was recently announced, Joe will produce a round-up of local government-related aspects in June's report. Little significant and new in relation to local government in the programme.
- Scottish Government's Medium-Term Financial Strategy (MTFS) delayed, now expected in late June. Scottish Fiscal Commission still intends to produce its forecasts on 29 May as planned, and will produce an update when the MTFS is published.

During discussion, the following points were raised:

- Planned closure of sheltered housing complexes in Aberdeenshire is in its early stages, so it's unclear what the outcomes will be.
- The funding model for IJBs referred to by the Minister is set out in the Public Bodies Joint Working Act, which would require primary legislation to amend rather than a government policy change.
- In relation to MSPs' calls for revaluation of Council Tax system, the Scottish Government and COSLA are jointly consulting and exploring options. Sarah Watters is meeting with COSLA in the

coming week and will update Commission members on any developments if necessary.

Action: Secretary to the Commission

- Regarding a commitment within the Programme for Government to fund wrap-around childcare for children with additional support needs, Joe noted the issue and also referred to the SPICe report which explains what is and isn't new funding.

Following discussion, the Commission noted the report.

7. Chair's update

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

During the discussion, Jo highlighted the following:

- She, Andrew Burns and the Secretary attended COSLA's 50th anniversary reception. The new Permanent Secretary was present, although Jo was unable to speak to them but hopes to do so soon. There was a wide range of speakers including Sir Neil McIntosh, which they enjoyed.
- The 'members forum' with Professor Graeme Roy following today's meeting will help members to understand the broader context that local government's challenges around transformation, efficiency and budgets sit within.
- The Commission's follow up visit to Argyll and Bute to discuss their findings will take place on 28 May; Jo will be accompanied by Sarah Watters, Derek Yule and Ruth MacLeod.

Following discussion, the Commission noted the update.

8. Any other public business

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

9. Controller of Audit's update report

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

Audit delivery

- Helena plans to bring a Section 102 report on Western Isles in the coming months, and is delaying its Best Value report to avoid two reports on the same authority in quick succession.
- Members expressed concern about the councils who are facing challenges on audit delivery. Helena has been in regular contact

with each council and auditors, and will provide an update in June's Controller of Audit report.

Scrutiny Coordination

- Discussions with the Strategic Public Sector Scrutiny Network (SPSSN) and Scrutiny Coordination Group have been re-invigorated with a focus on discussing Crerar, how scrutiny and inspection can support reform and on scrutiny of 'place', with some pilot work ongoing.
- At a local level, a number of Local Area Network (LAN) returns are still outstanding, but are being followed up.
- From those that have been returned, it is clear that useful conversations are happening locally, though the plan to produce a 'calendar' of activity at local level is providing challenging as planned work is more limited, with many agencies not announcing work until a few weeks before, given nature of inspections. The Scrutiny Co-ordination Group is meeting in August to reflect on lessons learnt from the LAN discussions as well as thematic approaches to scrutiny.

Following discussion, the Commission noted the update.

10. Best Value: Renfrewshire Council

The Commission considered its response to the Controller of Audit's report on Best Value in Renfrewshire Council. Members agreed to issue findings in response to the report, with findings to be drafted by the Secretary and Deputy Chair and circulated to members next week.

The Commission members discussed and agreed upon a number of points, which are included within the findings in the published report.

Carol Evans left the meeting for item 11.

11. Flooding in communities: Moving towards flood resilience

The Commission considered a draft performance audit report on flooding resilience, presented by Alison Cumming, Executive Director of Performance and Best Value (PABV).

Alison noted the timing of a report on flooding during a time of water shortage, demonstrating the challenges public bodies are facing. She noted international interest from the European Regional Audit Institutions (EURORAI) in how governments deal with extreme climate events.

Alison explained that the Scottish Government published a national flood resilience strategy in December, and a delivery plan is due but the timing is unknown. She highlighted key themes in the audit including gaps in resources, skills and capacity; issues with funding mechanisms and governance; and the need for partnership working and stronger

engagement with communities. A number of good practice case studies will be published alongside the report.

During discussion, the following points were raised:

- Members commended the team on a strong report with clear and concise key messages and recommendations with timelines. The team noted that they think the recommendation timescales are reasonable, and that there will be opportunities to discuss this with the relevant audited bodies before finalising the report
- Members questioned the value of including examples of devolved and reserved powers in an exhibit, as it may detract from the key points
- Members discussed the need for councils to work across geographical boundaries on flood prevention and for the report to include reference to the role of multiple public bodies in managing flood risk
- The role of housing developers was discussed. It was noted that auditors cannot make recommendations to them directly but that the important role of housing and planning could be brought out more clearly in the report.

After discussion, the Commission:

- Noted the contents of the report
- Approved the draft report on Flooding in communities.
- Delegated final approval of the content of the report to the sponsors, alongside the Auditor General for Scotland, through discussion with the audit team.

12. Local government budgets 2025/26 – draft briefing

The Commission discussed the draft local government budgets briefing which was presented by Alison Cumming, Executive Director of PABV.

Alison noted that data returns for all councils have now been received and that the additional data would be incorporated into the report before it is published. Alison highlighted that the total budget gap has increased from £614 million to £647 million upon inclusion of the data from previously outstanding data returns.

Alison and the sponsors highlighted the stronger messaging and tightening of expectations compared to previous reports. Alison also explained the team had engaged with the Scottish Government to ensure a clear understanding regarding the figures being presented.

The following points were discussed:

- Tracking of councils' responses to recommendations, and following up on data regarding fees and charges – this isn't done

as part of this report, and data can be inconsistent or unclear, but this will be looked at as part of the next Financial Bulletin. Also scope to consider councils' differing use of fees and charges in leisure and culture as part of the upcoming Spotlight report.

- Discussion with stakeholders regarding the key message that states councils must take local action to balance budgets. It was noted that the advisory group were generally very positive about the content of the report, and that COSLA's view is that councils are already taking local actions.
- Variation in how councils engage with their communities regarding budgets, and use of equality impact assessments – suggestion to review consultation response rates and councils' analysis of them.

After discussion, the Commission:

- noted the contents of the report
- approved the draft local government budgets briefing
- agreed to delegate final approval of the content of the briefing to sponsors

13. Integration authorities performance bulletin – scope

The Commission considered a report by Alison Cumming, Executive Director of PABV, which proposed the scope and approach for a joint bulletin providing analysis of performance and outcome data relating to community health and social care integration authorities.

Alison explained that this bulletin will build on the finance data bulletin published in March 2025, and will integrate performance data into the same data tool. A supplementary report will be provided in a traditional format for use by stakeholders.

During discussion, a number of points were raised:

- Regarding the alignment of finance and performance data, Alison explained the timing of data availability, with separate publications to avoid unnecessary delay. The next finance data bulletin will be published before the pre-election period in 2026.
- Members raised a number of performance indicators that they consider should be included. The team explained that the bulletin will make use of all data available at a national level – the 'Issues and Investigations' matrix sets out what will be included, subject to data availability.
- Regarding variation in relation to children's services, which is not within the remit of all integration authorities, and alignments between councils and NHS boards, the team explained that they will provide contextual information to explain this.

- Members suggested a focus group with Chief Officers of IJBs and others involved within the sector to gather input, such as examples of innovation.
- Trends in eligibility criteria and the impact on performance were discussed; the team agreed this is desirable but may have to be covered in future audit work.

After discussion, the Commission:

- Agreed with the audit scope for the performance bulletin as proposed within the report
- Noted and agreed to the proposed timings of the audit work as set out within the recommendations of the report

14. Year 4 Best Value theme – asset management

Helena Gray, Controller of Audit, and Martin McLauchlan, Senior Manager, PABV, presented a report which set out the proposed theme for Best Value year four.

Helena explained that audit materials will be drafted in the coming months, before being set out in the audit planning guidance in autumn 2025. The report proposes that the focus is on operational, rather than intangible, assets and asks the Commission to consider this in today's discussion.

During discussion, a number of points were raised:

- Clarification was sought regarding specific terminology and whether all stakeholders would understand it. Martin confirmed this paper and subsequent guidance are primarily intended for the Commission and appointed auditors.
- The Commission agreed that intangible assets such as intellectual property should not be within scope, noting that it would be helpful to clarify the categories of operational assets within scope.
- The decision to include point three 'The extent to which strategies include costed proposals in relation to net zero targets' within the scope stems from a desire to follow up on the delivery of councils' ambitious climate change plans, something that has come up in recent Best Value reports. It was suggested by members, though, that the focus should be broadened to focus on climate resilience.
- The Commission noted that community asset transfers can incur additional costs beyond that of retaining the asset, given that communities often ask for funding to run them.

After discussion, the Commission agreed that the focus of the Best Value thematic for year four should be on operational asset management.

15. Quality of Public Audit in Scotland draft annual report 2025

The Commission considered a draft report by Owen Smith, Director of Audit Quality and Appointments (AQA) and John Gilchrist, AQA Manager on the Quality of Public Audit in Scotland (QPAS) report. The report aims to provide assurance on the standard of auditors to the Commission, as well as to identify improvements in audit delivery.

During discussion, the following points were raised:

- One council audit has received a score of 1 (excellent) from ICAEW, a first for any council or NHS board audit. Three council audits are giving cause for concern.
- Complexity and variations between sectors were discussed. It was explained that compared to other sectors, local government accounts are more complex as a result of accounting standards.
- Members felt that the report could be more explicit in what is meant by being 'on track to approach pre-pandemic levels' for delivering audits on time. It was clarified that this is 95% - 98%. The report is deliberately high-level in case of unforeseen issues, but the team agreed to review the wording of key message 1.
- The AQA team views quality of audits as a key priority above meeting delivery targets, and seeks to ensure that transparent reporting is in place when targets are not met.

After discussion, the Commission noted the assurances on the quality of audits and agreed the report subject to clarification of key message 1.

16. Chief Operating Officer update *including Future Public Audit Model update*

Vicki Bibby provided a verbal update on the following areas:

- Future Public Audit Model programme is progressing well. All key dates have been scheduled, with a key paper on annual audits coming to June's Commission meeting, and Best Value and Wider Scope due in September.
- Stakeholder engagement needs to take account of the Scottish election – it must be complete before then in a way that ensures people's voices feel heard. In parallel to this work, there is scope to look at the financial reporting model, as well as potential changes to audit fees and funding model.
- Staff from the Ministry for Housing, Communities and Local Government (MHCLG) are visiting Audit Scotland in June. They have an interest in the Scottish public audit model which may help to inform decisions around the Local Audit Office in England.

17. Any other private business

There being no further business, the meeting closed at 3.15pm.