

Minutes

Thursday 12 June 2025 10.00am

Audit Scotland office, 102 West Port, Edinburgh EH3 9DN, and online via Microsoft Teams
522nd meeting of the Accounts Commission

Present:

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

In attendance:

Sarah Watters – Secretary to the Accounts Commission
Helena Gray – Controller of Audit
John Boyd – Audit Director (Items 5 and 10)
Mark Ferris – Senior Audit Manager (Items 5 and 10)
Joe Chapman – Policy Manager (Item 6)
Alison Cumming - Executive Director of PABV (item 11)
Blyth Deans – Audit Director, PABV (*online*) (Item 12)
Jack Nixon – Audit Officer, PABV (*online*) (Item 12)
Simon Ebbett – Head of Communications (Item 13)
Vicki Bibby – Chief Operating Officer (Item 14)
Paul O'Brien – Director of Quality and Support (Item 15)

1. Apologies for absence

No apologies were received.

2. Declarations of connections

Helena Gray and Jennifer Henderson declared a connection as residents of East Lothian Council. Helena had made the auditors aware of this in advance of producing the Best Value report and they were content to continue; it is also stated in her register of interests.

Angela Leitch declared a connection as former Chief Executive of East Lothian Council from 2011 to 2019. The Secretary had confirmed with the

deputy ethics partner that sufficient time had passed for Angela not to need to recuse herself from today's discussions on the council.

In relation to the Future Public Audit Model item on the agenda, Angela Leitch, Carol Evans, Jennifer Henderson, and Malcolm Bell all declared connections to audited bodies. Each of these members had consulted the deputy ethics partner who had confirmed that although they could not be part of the sounding board, they are permitted to take part in discussions at Commission meetings.

3. Order of business

It was agreed that items 9 to 16 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 May's meeting were an accurate reflection of the discussion, and the minutes were approved as final.

Sarah Watters provided the following updates on actions arising:

- An update on Council Tax reform is provided in the Local government policy update
- The Local Government Budgets Briefing 2025/26 was published on 22 May and saw a good range of media coverage, led by Derek Yule
- The Quality of Public Audit in Scotland report was published this week, with key message one now reflecting the discussion at May's Commission meeting.

5. Best Value: East Lothian Council

The Commission considered the Controller of Audit's report on Best Value in East Lothian Council. The discussion was structured around the following themes:

- Finances, including:
 - New financial system to go live in October 2025; aims to address control weaknesses from legacy systems
 - Audit adjustments are driven by additional testing to address risks from current process including manual intervention
 - No concerns about finance team capability or capacity; delays to finalising accounts were due to valuation issues
 - Audit recommendations being implemented including enhanced budget monitoring and updated financial strategy
 - Budget gap – £45.9m projected to 2029/30, based on 5% Council Tax rises and flat cash settlement; council continues to model scenarios and revise plans amid uncertainty

- Reserves – previously used to balance budget; council now has budget principles including minimising use of one-off resources and using reserves for spend-to-save investments.
- Integration Joint Board (IJB) – uncommitted reserves forecast to be depleted by the end of 2025; inherent financial risk to the council; new leadership in place; new financial and reserves strategies being developed
- Capital programme reviewed for affordability and revenue impact; carry-forward to be expected due to scale of spend; deferred school projects progressing this year.
- Transformation, including:
 - Plan in place with dedicated team and governance; 15 projects, eight well underway; estimated £6m recurring savings
 - Well-resourced with strong oversight; auditors recommend improved reporting for projects outside core programme
 - Digital strategy – council working with Solace and Improvement Service to build internal capacity
 - Shared services – council exploring opportunities; shares internal audit with Midlothian and has ‘innovation hub’ joint venture with Queen Margaret University.
- Leadership, including:
 - Governance – inquorate meetings due to exceptional circumstances; no ongoing issues or capacity concerns
 - A range of external and internal training and development opportunities is available to all members
 - Strategic plan – re-prioritised in 2024 to consolidate multiple plans; progress to be reviewed in next year’s audit
 - Budget working group – example of collaborative leadership; supported agreement on budget and financial strategy.
- Workforce, including:
 - Council to review its workforce plan to ensure clear actions and measures and open to learning from others
 - Staff survey – 46% response rate is high but frontline staff under-represented – council to revisit survey and improve this; 50% reported stress and high workload concerns
 - Succession planning challenges recognised; clearer plans needed; digital transformation and flexible working are key.
- Community engagement, including
 - Budget consultation approach improved; more targeted, approach used to gather meaningful feedback

- Six local area partnerships supported by Connected Communities managers; more engagement planned to inform decisions on budget priorities and savings
- Participation and Engagement Strategy being developed.
- Performance, including:
 - Above-average performance in many areas, but satisfaction indicators declining, in line with national trend; council pursuing its top priorities, though some data unavailable at time of reporting.

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

- UK spending review – additional funding for Scotland via Barnett formula, mainly for health; key developments expected in Scottish Government's upcoming financial and reform strategies; updates will follow via email and next policy report.

During discussion, the following points were raised:

- Fiscal framework – lack of progress and differing views between COSLA and Scottish Government noted; concerns raised over delays in teacher number guidance and NHS pay award exceeding pay policy, creating financial pressure for councils.
- Programme for Government – funding implications unclear for several commitments, raising sustainability concerns.
- Glasgow equal pay – scale of leaseback arrangements queried; response confirmed arrangements align with prior Commission discussions and Section 102 reports; some delays in implementing new pay and grading structure, auditors continue to report on this
- Low Emission Zones – income expected to decline as policy succeeds in reducing non-compliant vehicles; raises questions on councils' revenue assumptions and forecasting accuracy.
- IJB funding – calculation methods set in locally-agreed integration schemes, dependent on delegated functions; leads to regional variation. Will be covered as part of future IJB finance audit work.

Following discussion, the Commission noted the report.

7. Chair's update

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

Jo highlighted the following:

- Additional Support for Learning (ASL) report – positive engagement with and feedback from Cabinet Secretary for Education and Skills; key messages on definition of additional needs and need for better data acknowledged; further input likely.
- Argyll and Bute Council Best Value report follow up meeting – council welcomed the report, which supports its refreshed strategic approach, budget planning and service delivery; key facts section particularly valued.
- Commission planning – provisional dates for 2026 meetings to be issued to members shortly; prompt responses encouraged to confirm scheduling.
- COSLA engagement – attending Leaders session on 27 June with Andrew Burns and will encourage input to consultation on the Commission's future work programme and priorities.

During discussion, the following points were raised:

- Community engagement – councils facing challenges from a small number of vocal individuals; risk of judicial review; highlights need for clarity and robustness in engagement processes.
- COSLA and Scottish Government's 'Civility in Public Life' initiative was noted.

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

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

- Audit delivery – appendix outlines a proposed escalation process for concerns; Step 2 involves Controller of Audit writing to auditor and Chief Executive to arrange discussions on recovery plans. Controller of Audit has recently met with or is due to meet with some councils as part of this process and provided an update on planned delivery timelines.
- Clackmannanshire Council's medium-term financial strategy is due to full council later in June. Likely to include high-level information on change and transformation; more detail expected in autumn
- Update on senior leadership changes at South Ayrshire Council and Stirling Council.
- Recent introduction with Professor Soumen Sengupta, Chair of Health and Social Care Scotland, which will be included as a

stakeholder in the work programme consultation. Following members' agreement, the Secretary will invite Prof Sengupta to a future members' forum session to discuss IJB finances.

Action: Secretary to the Commission

During discussion, the following points were raised:

- Audit delivery – Commission members raised serious concerns about ongoing delays to four Local Authority audits for 2023/24, including in relation to a revised completion date for one of the councils, and asked to be kept updated on all discussions between the auditor and council to recover audit delivery timelines.
- Audit timeliness – concern about risk to Commission if audits not completed in a satisfactory timescale while also noting the value of audit quality; options to resolve issues discussed. Controller of Audit emphasised audit timelines are agreed by auditor and council, and audit opinion given by auditor independently.
- The Controller of Audit proposed to bring an update report to the Commission on audit delivery oversight, in conjunction with Audit Quality and Appointments, including completion targets, roles and responsibilities, and escalation procedures.

Action: Controller of Audit

Following discussion, the Commission noted the update.

10. Best Value: East Lothian Council

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

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

11. Commission's work programme and priorities – consultation and engagement proposals

The Commission considered a report by Alison Cumming, Executive Director of Performance Audit and Best Value (PABV), and Sarah Watters, Secretary to the Commission. The report sets out proposals for a consultation and engagement exercise on the Commission's performance audit work programme and strategic priorities for 2026 onwards. Alison and Sarah gave a short presentation to members highlighting key points.

During discussion, the following considerations were raised:

- As well as initial targeted sharing of the consultation with key stakeholders, the consultation will be shared via the Commission's email newsletter in July, which will help to engage a wider audience, as well as via social media

- Opportunity to engage with the convener of the Local Government, Housing and Planning (LGHP) Committee, scrutiny partners via the Strategic Public Sector Scrutiny Network (SPSSN), and Directors of Finance. Consideration needed on how best to do so.
- The public should be explicitly recognised as a stakeholder. Public engagement currently happens through surveys. Consider further methods of engaging with the public, and the third sector.
- The Commission Chair will offer meetings with stakeholders, alongside the PABV team. Commission members are welcome to take part if timing and location allow
- The consultation paper is clear that the Commission cannot report on all of the areas proposed, so encourages stakeholders to prioritise from the list of options. The Commission encouraged phrasing questions to avoid unrealistic expectations.
- Several additional areas for consideration were suggested, including:
 - include roads as a service area
- review of councils' use of joint / shared services
- seek input from Local Government Digital Office, this is being actively pursued
 - economic development impact across each region

The Secretary agreed to consider how to incorporate these areas within the consultation paper.

Action: Secretary to the Commission

- Follow up on the Best Value Transformation thematic will be key, particularly in the areas of digital and workforce.

Following discussion, the Commission:

- Noted the background to and rationale for the consultation and engagement exercise
- Agreed to proceed with the consultation and engagement activities over the coming months.

12. Delivering for the future: Responding to the workforce challenge – draft report

The Commission considered a draft of the national Best Value thematic report on workforce challenges. The report was presented by Helena Gray, Controller of Audit, accompanied by Blyth Deans, Audit Director, PABV, and Jack Nixon, Audit Officer, PABV.

During discussion, the following points were raised:

- Jennifer Henderson, as sponsor of the report, recognised the work done by the audit team to review all councils' thematic reports and collate the key themes and learning points.

- Concern about sickness absence rates, and query about how they compare with other public-sector bodies and the private sector. PABV colleagues will look into Office for National Statistics data on private-sector sickness absence, and benchmarking with other parts of the public sector and discuss with the report sponsor.

Action: Audit Director, PABV

- Query about link between hybrid/flexible working and sickness absence trends – insufficient evidence to consider that link, but some councils are assessing the impacts of flexible working
- Agreement to amend Key Message 2 to make clearer connection between the need for effective workforce planning and councils' capacity to deal with wider challenges and assist in achieving financial sustainability.
- Suggestion to highlight good practice in shared services to show why and how they can be a positive solution. Query about reliance on national organisations to facilitate this type of innovation
- Suggestion to include staff turnover rates within 'Key Facts'
- Exhibit 1 – suggestion to compare age profile figures with working age population rather than or in addition to general population. However, the existing exhibit is taken from an external report, so further work would be needed to find this additional data
- Importance of following up on this (and other) reports to ensure actions and recommendations are implemented.

Following discussion, the Commission:

- Given the possible amendments discussed, agreed to delegate final approval of the content of the report to the Commission sponsor and the Controller of Audit
- Approved the proposed publication arrangements for the report, scheduled to be published in August 2025.

13. Accounts Commission annual review 2024/25 – early draft

The Commission considered an early draft of the Commission's annual review 2024/25, presented by Sarah Watters, Joe Chapman, and Simon Ebbett, Head of Communications.

Sarah, Joe and Simon explained the background, including:

- That the Commission is not required to publish an annual report, but has usually produced a report summarising its activities, which is now being renamed to make its purpose clearer
- Oversight by the Communications Working Group, including Commission members Ruth MacLeod and Nichola Brown
- A more accessible and engaging interactive format, with an emphasis on the Commission's role, activities and impact.

During discussion, the following points were raised:

- The Commission liked the new format, agreeing it feels more accessible and a fresh approach, with the right amount of detail
- Whether including quotes that provide external endorsement would impact on the Commission's independence; it was agreed these could be from stakeholders that are not audited bodies
- Discussion about accessibility of Commission meetings (public sessions), including direct registration via Teams and publishing meeting recordings with transcripts
- Desire to make it clearer to the public that they are a stakeholder. Suggestion to amend some wording for example in the Chair's introduction to minimise jargon and reflect the 'public voice'
- Suggested amendments to wording regarding audit outcomes to reflect areas of concern, and to show how audits added value.

Following discussion, the Commission:

- Noted that further work would be carried out to develop the draft content into a proposed finished product for publication.
- Agreed that the Communications Working Group, including two Commission members, would oversee this work, with a final draft to be presented to the Commission for approval in August 2025.

14. Chief Operating Officer update

Vicki Bibby, Chief Operating Officer, delivered a verbal update to the Commission, which included:

- Audit Scotland accounts – these are now signed off and published and will be discussed with the Scottish Commission for Public Audit at the Parliament later this month.
- Representatives from the Ministry of Housing, Communities and Local Government (MHCLG) met with Audit Scotland counterparts in West Port on 10th June, in relation to their Local Audit Reform programme. Vicki highlighted key points from the meeting:
 - Fruitful discussion, start of significant engagement – beneficial to both parties. MHCLG are very interested in Audit Scotland and the Public Audit in Scotland model
 - MHCLG have a challenging timescale for laying, passing and implementing legislation to establish the Local Audit Office
 - Separation but clear links between their Local Audit Reform work and the Future Public Audit Model programme.
- Update on potential future work including consideration of the complexity of local government accounts.

The Commission noted the verbal report.

15. Future Public Audit Model

Paul O'Brien, Director of Quality and Support, presented the Future Public Audit Model Discussion Paper 1, which asks the Commission to agree their collective preferred option for each question, with the caveat that question 4.2 is agreed in principle only at this stage.

The Commission agreed to the following preferred options:

- Q 1.1 (engagement standards) – Option 1: 'no change – ISAs'
- Q 1.2 (adapting ISAs) – Option 1: 'no change'; need to keep watching brief on MHCLG's work to establish a Local Audit Office
- Q 1.3 (promoting the value of an unqualified opinion) – Option 7: blended approach using annual audit reports and the website
- Q 1.5 (assessing timeliness of audits) – Option 1: 'no change' but adapted wording, reference escalation process, to be considered by the Commission
- Q 4.1 (differentiation for smaller bodies) – Option 2: yes
- Q 4.2 (definition of smaller bodies) – Option 1: quantitative factors only – provisionally agreed pending further consideration
- Q 4.3 (level of assurance for smaller bodies) – Option 2: limited assurance
- Q 4.4 (determining audit requirement) – Option 2 agreed, however, bodies can still make a request for a fuller audit, and members sought more clarity around the distinction between the Commission's discretion and a body's right to request.

16. Any other private business

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