

Agenda

Thursday 12 June 2025, 10.00am
Audit Scotland offices, 102 West Port,
Edinburgh, and online via Microsoft Teams
522nd meeting of the Accounts Commission

Public session

- | | | |
|--|---------------------|-------|
| 1. Apologies for absence | | 10:00 |
| 2. Declaration of connections | | |
| 3. Order of business
The Chair seeks approval of business including taking items 9 to 17 in private for the reasons set out on the agenda. | | |
| 4. Minutes and matters arising from previous meeting | Secretary | 10:05 |
| 5. Best Value: East Lothian Council | Controller of Audit | 10:10 |
| 6. Local government policy update | Policy Manager | 11:15 |
| 7. Chair's update | Chair | 11:25 |
| 8. Any other public business
The Chair will advise if there is any other public business to be considered by the Commission. | Chair | 11:35 |
| Break | | 11:35 |
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Private session

- | | | |
|---|---------------------|-------|
| 9. Controller of Audit's update
[Item to be in private as it requires the Commission to consider confidential policy matters.] | Controller of Audit | 11:45 |
| 10. Best Value: East Lothian Council
[Item to be in private as it requires the Commission to consider actions in response to a statutory report.] | Controller of Audit | 11:55 |

11. Commission’s work programme and priorities - consultation and engagement proposals [Item to be in private as it requires the Commission to consider confidential policy matters.]	Executive Director of PABV and Secretary	12:25
<i>Break for lunch</i>		13:00
12. Delivering for the future: Responding to the workforce challenge – draft report [Item to be in private as it requires the Commission to consider a draft of a forthcoming publication.]	Controller of Audit	13:40
13. Accounts Commission annual review 2024/25 – early draft [Item to be in private as it requires the Commission to consider a draft of a forthcoming publication.]	Secretary and Head of Communications	14:05
14. Chief Operating Officer update [Item to be in private as it requires the Commission to consider confidential policy matters.]	Chief Operating Officer	14:25
<i>Break</i>		14:35
15. Future Public Audit Model [Item to be in private as it requires the Commission to consider confidential policy matters.]	Director of Quality & Support (and Strategic Lead)	15:00
16. Any other private business The Chair will advise if there is any other private business to be considered by the Commission.	Chair	16:30
Close of meeting		16:30

Best Value

East Lothian Council

ACCOUNTS COMMISSION 

Prepared by the Controller of Audit
June 2025

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Accessibility

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

Key facts

270 Square miles

113,000 Population

4,144 Workforce FTE

22

Elected members
10 Scottish Labour, 6 Scottish National Party, 4
Scottish Conservative and Unionist, 1 Scottish Green Party
1 Independent.
Minority Labour Administration

£45.9m

Cumulative budget gap for 2026/27 and the following three
years (based on a flat cash settlement and 5 per cent
increases in council tax)

£286m

Net revenue budget/expenditure 2023/24

£141m

Capital budget 2023/24, £107m General Fund, £34m HRA

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 2022/23 and 2023/24 annual audits of the council, with the latter reported in March 2025. [Appendix 1](#) includes links to the 2022/23 and 2023/24 Annual Audit Reports (AAR) 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.

3. The Best Value theme for 2024/25 is Transformation and how councils are redesigning and delivering more efficient services to achieve planned outcomes. The work undertaken by the auditor at the council was not complete in time to be covered here and will be reported on in the 2024/25 Annual Audit.

Pace of continuous improvement

4. East Lothian Council (the council) is committed to the principles of best value, with performance in most areas improving over time and relative to family group and national averages.

5. The council has an experienced management team in place that has been relatively stable in recent years. In February 2025 the former Chief Executive retired and a new Chief Executive joined the council in April 2025.

6. The council have been largely receptive to the improvement recommendations made by the auditor. However, a number of internal control inconsistencies and inefficiencies persist, and the council needs to strengthen the digital strategy, cyber security, and the business continuity management strategy and associated policies, to address prior-year audit recommendations.

7. Financial sustainability must remain a priority for the council, which has a relatively low level of reserves. The council will need to maintain a focus on financial resilience including developing key indicators and measures.

Best Value Assurance Report follow-up

8. The council has made good progress in implementing the improvement actions in response to the findings and conclusions from the previous Best Value Assurance Report in 2018. The recommendations have been tracked through the council's improvement plan, alongside other external audit recommendations and council-identified improvement actions. This is monitored annually. As the council has implemented the improvement actions, further improvement opportunities have been identified as the council looks for continuous improvement. The external auditor will continue to monitor the council's progress in relation to these wider improvement actions as part of their annual audit.

Leadership review

9. Leadership in the development of new local strategic priorities was the subject of Best Value thematic work in 2022/23. The auditor concluded that the council's leadership has been effective in setting out a clear vision and priorities but could enhance the performance objectives it wants to achieve in its priority areas.

10. Governance arrangements are well established but auditors highlighted that in June 2024 the Audit & Governance Committee and the Policy & Performance Review Committee meetings had to be cancelled or rescheduled as both were not quorate.

11. The Council Plan 2022-2027 was approved by the council in August 2022. In February 2024 the council approved proposals to re-prioritise the Council Plan, recognising that the context, including the longer-term impact of the pandemic and cost of living, had changed. The council agreed to focus on delivering a smaller number of priorities than originally envisaged. The council's vision is aligned with community planning priorities in the East Lothian Plan 2017-2027 (the Local Outcome Improvement Plan).

12. The council has now set clear performance outcome targets for each of its refreshed priority areas to ensure resources are allocated appropriately. However, greater clarity on what is an acceptable level of performance in non-priority areas is still needed.

13. The council has a range of plans and strategies underpinning the Council Plan's vision and objectives. These include a Transformation Strategy, Recovery and Renewal Plan, Poverty Plan, Equality Plan, Climate Change Strategy, Integration Joint Board Strategic Plan and the Economic Development Strategy. The Council Action Plan, containing 68 actions, includes implementation of each of these strategies/plans as a single action.

14. Council priorities continue to reflect the need to reduce inequalities, and the council approved the East Lothian Partnership's four-year plan to tackle poverty across the county in August 2024.

15. The council has a Climate Change Strategy which is due to be updated for 2025-30, following consultation on a revised draft at the end of 2024. It is important that actions in the strategy have specific targets for improvement.

16. The council has a Digital Strategy, approved in January 2023, structured around the key themes of the Council Plan and the need to invest in digital technology to drive transformation. A digital transformation board has been established to oversee performance against the digital strategy and provide the governance, prioritisation and allocation of resources.

17. The council recognises that service transformation is at the heart of delivering financially sustainable public services and a Transformation Strategy was approved in August 2024.

18. A leadership development programme was introduced in 2022 to empower officers to make informed decisions. Corporate and senior management teams have participated in the programme with ongoing roll-out in 2024/25.

19. Training and development are available to all elected members. An induction programme was provided to newly elected members after the May 2022 elections. Officers are responsive to elected members' requests for information. Briefings are regularly provided to give more detailed explanations than is possible in a formal council meeting.

20. There are cross-party working groups including the Budget Working Group and the Climate Change and Sustainability Forum. These foster cross-party discussion and exploration of options for priority areas in advance of formal decision making at council meetings.

Citizen and community engagement

21. The council is committed to community empowerment as a key principle of its vision. The council's Connected Communities Service has a key role in delivering the council's community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are six locally based Connected Communities teams with a significant focus on taking a place-based approach.

22. Communities had the opportunity to put forward their views on council priorities through public consultation for the 2023/24 budget. Further community engagement will be needed so that local citizens understand

the difficult decisions needed to ensure financial sustainability of public services.

23. The council has delegated a £200,000 budget to each of its area partnerships (Musselburgh £250,000) for use in relation to general projects, citizen and community engagement and local amenity services.

Effectiveness of performance reporting

24. The council reports on a series of annual performance measures in its Annual Performance and State of the Council Report. The report details how the council is endeavouring to deliver best value and good governance and summarises progress made against the actions set out in the Council Plan action plan.

25. The council has a continuous improvement framework, 'Improvement to Excellence', that encompasses objective-setting, planning and management, performance management, self-evaluation and external assessment and accreditation.

26. A key part of the framework is the adoption of a suite of 'Top 50' Council Plan Indicators as the key indicators that monitor progress in achieving the council's strategic goals. A sub-set of 'Top 10' of these indicators has been identified to show at a glance how the council is performing in achieving the Council Plan.

27. These indicators are updated quarterly and reported through the Policy and Performance Review Committee. The reports are readily accessible on the council's website and show actual performance against target performance, performance trend (whether improving or deteriorating) and a brief commentary on performance.

28. The auditor has concluded that the council has satisfactory arrangements for the preparation and publication of statutory performance information. However, there remains scope to enhance public performance reporting via inclusion of fuller commentary on changes in performance, areas of underperformance and measures to be taken.

Reported performance

29. Performance for 2022/23 was reported to council in the 'State of the Council' report in February 2024. The report for 2023/24 is delayed until June 2025 following the departure of the officer responsible for co-ordinating the report.

30. Information available on 2023/24 performance was included in the council's accounts. Only 37 of the 'Top 50' indicators could be reported. Of these indicators 15 (40.5 per cent) had improved, 8 (21.6 per cent) stayed the same and 14 (37.8 per cent) showed a decline when compared to the previous year.

- 31.** The council reported that 43 per cent of the 37 indicators included in the accounts were on or above target (green), 32 per cent just below or moving towards target (amber), and 24 per cent below target (red).
- 32.** Of the council's 'Top 10' indicators, five were reported as maintained or improving, and two as showing a decline. Data was not available for the other three indicators at the time the accounts were compiled.
- 33.** A review of all LGBF indicators shows that 60 of 107 (56 per cent) available indicators have improved since the base year, 5 (5 per cent) have stayed the same and 42 (39 per cent) have declined. The proportion of the 76 'performance' indicators improving is higher at 64 per cent, with the proportion of the 20 'cost' indicators showing improvement lower at 55 per cent. All 11 of the 'satisfaction' indicators have declined.
- 34.** Of the council's 76 LGBF 'performance' indicators, 55 per cent are in the top two quartiles, having increased from 43 per cent in the base year.
- 35.** Considering the latest year in isolation, 45 per cent of the council's LGBF indicators have improved, 40 per cent were assessed as deteriorating and 15 per cent as staying the same. Only three councils had a larger proportion of indicators improve.

Workforce planning

- 36.** In 2023/24 the Best Value thematic review focused on workforce innovation and how councils are responding to workforce challenges. The auditor identified scope to improve target-setting and use of data in the council's workforce planning arrangements, recommending that the council develop a workforce planning performance management framework, linked to its Workforce Plan, to inform future workforce planning. In total the auditor made eight recommendations.
- 37.** The council's Workforce Plan 2023-27 was approved by the council's Cabinet in January 2023. It includes an overall vision that the council will be an employer of choice, and nine core objectives. It is not clear, however, how workforce planning takes place at the service level to support the council-level plan and auditors recommended that the council prepare guidance and templates to support service level planning.
- 38.** The council's Workforce Plan provides data on the overall headcount and grading, a breakdown by protected characteristics, and available trend data. However, how data is informing the overall strategic approach to workforce planning could be clearer. The Workforce Plan is supported by an action plan with 40 actions; however not all have appropriate targets which makes it difficult to objectively evaluate what progress has been made and define what success looks like.
- 39.** The council continues to look for opportunities to share services but has limited formal arrangements in place. The council does share a Chief Internal Auditor with Midlothian Council and has an arrangement with the

City of Edinburgh Council which carries out insurance services on its behalf following the retirement of the person undertaking this work.

40. The council has completed a limited number of corporate digitalisation projects. Auditors concluded that the council needs to increase the pace of roll-out of its digital transformation projects and address capacity issues within the IT team. Measures for the impact of digital technology on workforce productivity and service outcomes need to be developed. The council could also better set out how it expects digital technology to shape its future workforce, and the progress it is making in tackling digital exclusion among its staff.

41. The council conducted an employee engagement survey in 2023 focused on staff health and wellbeing with an overall response rate of just under 46 per cent. In the survey 50.9 per cent of wider council staff, 81.5 per cent of teachers and 44.7 per cent non-teaching school staff who responded reported work-related stress and concerns about workload. The council developed a corporate action plan in response to the 2023 staff survey, actions from which have been integrated into the workforce plan action plan, and a range of initiatives are in place to promote staff wellbeing.

42. The council has revised its flexible and home working policies and developed a detailed measurement framework in 2020 to capture the impact of its employees working more remotely but has not applied this. Auditors have recommended that the council should review the effectiveness of its Work Smart policy.

Financial management and sustainability

43. The auditor concluded that the council's medium-term financial plans reflect the council's strategic priorities, budget and savings plans are aligned with the 2022-2027 Council Plan, and that the council has appropriate budget setting and monitoring arrangements in place. The auditor highlighted, however, ongoing internal control inconsistencies and inefficiencies at the council, which increase the risk of control weaknesses. Measures need to be put in place to address these issues before the council migrates to a new financial system.

44. The council recognises the financial challenges facing the organisation and in August 2024 approved the Transformation Strategy 2024-29 to help address longer-term sustainability issues.

45. The council's planning context includes population growth, with a 12.6 per cent increase between 2011 and 2022 (99,717 to 112,300 people) and it has a slightly higher proportion of people over 75 years old (9.8 per cent compared to the Scottish average of nine per cent).

46. In 2022/23 the council reported a £6 million overspend, and the general fund balance fell from £29.7 million to £26.4 million. An overspend was also reported for 2023/24 when the council overspent by £12.3

million. The council has been unable to fully deliver against its savings plans and mitigation actions.

47. Of the £12.3 million overspend in 2023/24, £3.1 million was met from IJB reserves and £9.2 million met from council reserves. Despite the overspend the General Fund balance increased by £7.8 million to £34.2 million as the council made use of financial flexibilities relating to service concession arrangements (PPP/PFI).

48. The overall General Fund balance at 31 March 2024 was £34.2 million, with £26.6 million earmarked for specific priorities. The uncommitted balance was £7.6 million or 2.2 per cent of the revenue budget for the year. The council's policy was to hold a minimum uncommitted General Fund balance of £7.2 million.

49. The financial strategy 2025-30 sets a target minimum unallocated General Fund balance of 2.5% of the net revenue budget, which would be £8.6 million based on the 2025/26 budget. Key financial information for the council is included in Exhibit 1.

Exhibit 1

East Lothian Council – key financial information

	2022/23 (£m)	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)
Budget setting				
Budget gap	12.9	19	17.3	17.7
Planned to be met via:				
- Savings & flexibilities	0.4	6.7	9.8	2.3
- Use of reserves	8.7	7.4	2.9 ¹	5.9 ¹
- Additional Council Tax / funding	3.8 (3%)	4.9 (7%)	4.6	9.5 (10%)
Actual				
Savings delivered	0.4	5.8 (87%)		
Reserves			Forecast²	
Use of / (contribution to) reserves	(6.5)	(10.3)	2.2	
Total usable reserves carried forward	45.2	55.5	53.3	
General Fund	26.4	34.2	36.1	
Earmarked	19.2	26.6	27.6	
Uncommitted	7.2	7.6	8.5	

1. Includes use of capital reserves

2. Council provided figures May 2025

Source: Council accounts, committee papers and provided figures.

50. Of the council's £26.6 million earmarked general fund balance at the 31 March 2024, £18.5 million is earmarked for transformation, £1.1 million is earmarked for future budgets, £1.1 million is held in respect of devolved school management, and £1.8 million is earmarked for other purposes.

Remaining amounts relate to affordable housing (£1.6 million), Scottish Futures Trust funding (£1.3 million) and service concession support (£1 million).

51. The council's total usable reserves carried forward at 31 March 2024 (£55.5 million) represent 17.1 per cent of its budget. This is below the family group and national averages, which are 21 per cent and 23.9 per cent respectively. The council was ranked 26th for this LGBF indicator.

52. The council is forecasting a further overspend in 2024/25 and an unplanned use of reserves of £1.1 million (February 2025 quarter 3 financial review). It is expected that total usable reserves will fall by £2.2 million, to £53.3 million, when the outturn is reported for 2024/25 (based on figures provided by the council at the end of May 2025).

53. The council's current financial strategy includes a set of budget development principles which include a commitment to minimising the use of one-off resources to balance the budget and ensuring that use of reserves is limited to investment that will deliver ongoing cost reduction.

54. The auditor is satisfied that reserves levels are being regularly reviewed but highlights ongoing sustainability issues associated with using reserves to fund recurring expenditure. A clear plan and effective management of the council's reserves will be a necessary part of maintaining financial sustainability. Given the scale of the financial challenge auditors have recommended that the council develop financial resilience indicators and resilience measures with a greater emphasis on its reserve position.

55. When the budget was set for 2025/26 the council identified savings of £2.3 million and planned to use £5.9 million of capital reserves to smooth loan charges. A council tax increase of 10 per cent was approved.

56. The council is forecasting a cumulative budget gap of £45.9 million for the period 2026/27 to 2029/30 (based on a flat cash settlement and 5 per cent increases in council tax). This assumes the proposed savings of £2.3 million are delivered in 2025/26. The council has yet to set out how it will close its budget gap for 2026/27 and beyond and elected members will need to work together to take some difficult decisions.

Housing revenue account (HRA)

57. In 2023/24 the council planned for and delivered a surplus on the HRA prior to the charging of £1.3 million of capital expenditure to revenue. The HRA reserve increased slightly to £1.5 million.

58. Gross rent arrears as at 31 March 2024 as a percentage of rent due for that year increased from 5.8% in 2022/23 to 6.3% in 2023/24.

Delivery of the capital programme

59. The council approved a general services capital programme for 2023/24 of £98.9 million, and a housing capital programme of £33.9 million.

60. The outturn on the general services capital programme spend was reported as £51.1 million for 2023/24, representing a slippage of 53 per cent against the revised budget. The underspend reflects measures agreed by the council to pause or delay any uncommitted expenditure as well as a variation from the expected timing of spend across a number of projects.

61. The housing capital programme outturn was reported as £42.9 million for 2023/24, £9 million higher than the original budget. This reflects the increase in the number of new build council house sites which has been met by additional grant funding and an increase in borrowing.

62. The council's overall capital financing requirement (its underlying need to borrow) increased from £567.7 million to £625 million in 2023/24. The council's ratio of general fund financing costs to net revenue stream in 2023/24 was below the family group and national averages (ranked 10). While the HRA financing cost ratio is above family group and national averages (ranked 21 out of 26). The auditor has recommended that the council should establish clear indicators to support its assessment of the ongoing affordability of the capital programme.

Appendix 1

2022/23 and 2023/24 Annual Audit Reports

These reports summarise the findings from the 2022/23 and 2023/24 annual audits of East Lothian 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](#)
[Council name]
[include hyperlink]

[Month] 20XX

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AAR cover
image**

[2023/24 Annual
Audit Report](#)
[Council name]
[include hyperlink]

[Month] 20XX

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

East Lothian Council



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Best Value: East Lothian Council

Item 5

Controller of Audit

Meeting date:
12 June 2025

Purpose

1. This report introduces the Controller of Audit's report on Best Value in East Lothian Council for the Commission's consideration, alongside the associated publication arrangements.

Recommendations

2. The Commission is invited to:

- Consider the Controller of Audit's report
- Approve the proposed publication arrangements
- Decide how it wishes to proceed.

Background

3. The report draws the Commission's attention to the findings set out in East Lothian Council's 2023/24 Annual Audit Report (AAR) on how effectively the 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 to increase its impact and efficiency and reduce the scrutiny burden on councils. Best Value work is reported in AARs and also includes follow-up and thematic Best Value work, providing judgements on the pace and depth of continuous improvements and service performance. This work gives the Commission the opportunity to offer a national overview of key aspects of Best Value, as well as support accountability and improvement within individual councils to generate greater impact from the audit work.

5. The theme chosen by the Commission for its annual Best Value thematic work for 2023/24 is Workforce Innovation.

6. At least once during the current five-year audit appointment the Controller of Audit 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 AARs. They replace the Best Value Assurance Reports that were published on all councils between 2017 and 2022.

7. The Best Value thematic report and the AAR for East Lothian Council were both presented to the council's Audit and Governance Committee on 17 December 2024.

The Controller of Audit's report

8. This report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003.

9. 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.

10. The Controller of Audit's report was sent to East Lothian Council on 4 June 2025, the same date it was issued to the Commission. The council has been advised that it is obliged to supply a copy of the report and the AAR on which it is based to each member of the council and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the council it is effectively in the public domain.

Procedure

11. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:

- direct the Controller of Audit to carry out further investigations
- hold a hearing
- state its findings.

12. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make an enforcement direction requiring an authority to take such action as is specified in the direction.

13. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and

judgements presented in the AAR, with a focus on Best Value. This is done in the public part of the Commission meeting.

14. The Commission will then decide in private how it wishes to proceed. The Commission is obliged to inform the council of this decision shortly after the Commission meeting – this is done by the Secretary on the Commission’s behalf – before making its decision public.

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.

16. The council is required to do the following:

- consider any findings of the Commission within three months of receiving them
- publish in a newspaper circulating in the local area a notice stating the time and place of the meeting, indicating that it is to 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.

Publication arrangements

17. The report is due to be published on 3 July 2025, with the previous day being held for any media interviews. It is anticipated that the Chair will front the media for this report.

18. The main communications outputs for each of the new Best Value reports currently include:

- Short animation – key messages for local communities from the report and the Commission’s findings
- News release – based on the Account Commission’s findings, including a quote from the Commission’s media lead for the report.
- Social media – detailed list of key groups to tag within each council area, including community councils, tenant groups, third sector and local third sector interfaces.

19. In addition, we will carry out the following communications and engagement:

- Local media – advance engagement to increase the potential for interviews
- Third sector interfaces – provide materials and support to share across their contacts
- Ongoing engagement with the local council.

20. The main audiences for our communications are:

- Council and council staff
- Local communities, and third sector groups
- Local and specialist media
- COSLA and the Improvement Service
- Other councils – to share good practice.

Conclusion

21. The Commission is invited to:

- consider the Controller of Audit's report on East Lothian Council
- approve the proposed publication arrangements
- decide how it wishes to proceed.

Chair's update

Item 7

Meeting date:
12 June 2025

Chair of the Accounts Commission

Purpose

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

Engagement and Commission business

2. Noting annual leave on 02-06 June, details of my engagements and work since the last meeting are as follows:

Audit Scotland engagement

- Regular meetings with: Alison Cumming – Executive Director of Performance Audit and Best Value, Helena Gray – Controller of Audit, and Vicki Bibby – Chief Operating Officer
- 20 May: Audit Scotland Board meeting
- 22 May: Audit Scotland 'Insight' event - In Conversation with Jo Armstrong (with Sarah Watters)

Commission business

- Regular meetings with Sarah Watters – Secretary to the Commission, and Lee Ovens – Executive Assistant
- 28 May: Argyll & Bute Council Best Value follow up meeting with Derek Yule, Ruth MacLeod, and Sarah Watters
- 11 June: Accounts Commission prep session with Andrew Burns – Deputy Chair, Helena Gray, Sarah Watters, Lee Ovens, Joe Chapman – Policy Manager, and Callum Aitken – Modern Apprentice

External engagement

- 27 May: Bi-monthly catch-up with Ellen Leaver – Director for Local Government, Scottish Government

Forthcoming activities

3. My forthcoming engagement activities include:

- Regular catch ups with Helena Gray, Sarah Watters, Lee Ovens, Vicki Bibby and Alison Cumming
- 13 June: Monthly catch-up with Stephen Boyle – Auditor General
- 27 June: Discussion on work programme and Future Public Audit Model at COSLA Leaders meeting
- 2 July: Media day for East Lothian Council Best Value report

Conclusion

4. The Commission is invited to:

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

Local government policy update

Item 6

Meeting date:
12 June 2025

Policy Manager to the Commission

Purpose

1. This regular report provides an overview of significant recent activity relating to the Accounts Commission and local government. More news updates are provided via the [weekly digest](#).

Recommendations

2. The Commission is invited to:

- Note this report and consider any implications for its work programme.

Recent publications

3. Below are details of media coverage and engagement for recent Commission publications:

- [Local government budgets 2025/26](#) (22 May 2025)
 - *Broadcast:* Interview on BBC Good Morning Scotland, feature on Radio Scotland Drivetime, interviews on local radio, mentions on BBC Reporting Scotland, STV News
 - *Online:* BBC, STV, all national and many local newspaper websites, Holyrood, LocalGov, The MJ and more.
 - Coverage focused on £647 million budget gap in 2025/26 and £997 million cumulative gap to 2027/28.
 - *Downloads:* 790 in first 10 days.
 - *Social media:* 15,600 views, 5,550 video views, 2,550 engagements, 125 link clicks. Notable shares by Jane O'Donnell, Jim Savege, Improvement Service, Aberdeenshire Council, West Lothian Council and a number of councillors.
 - Very large social media engagement driven by shares by councils using the report to explain budget challenges.
- **Best Value: Renfrewshire Council** (5 June 2025)
 - *Published after this report was produced; details provided via email in the interim and included in next month's report.*

Local and Scottish government finance issues

4. Cabinet Secretary for Finance and Local Government, Shona Robison, has provided [an update on various issues to the Local Government, Housing and Planning \(LGHP\) Committee](#), as requested by the Committee. These include the Fiscal Framework, General Power of Competence, single authority model, and actions following the review of aspects of the Community Empowerment (Scotland) Act.

5. On the Fiscal Framework, Ms Robison explains a ‘difference of perspective’ between the Scottish Government and COSLA about the priority given to exploring a “rules-based funding arrangement”, the impact of this on “meaningful budget engagement”, and whether a framework can still be agreed in the interim. In respect of accountability and assurance arrangements, Ms Robison acknowledges the delay and says she hopes to have a monitoring framework agreed by the autumn.

6. The Herald reported that the Scottish Government has [failed to issue expected guidance to councils](#) as to whether mitigating factors such as falling school rolls and funding pressures would be taken into account in the enforcement of an agreement with COSLA to restore teacher numbers to 2023 levels for the 2025/26 school year. Councils had been advised that Education Secretary Jenny Gilruth would set out her position regarding decisions on accepting mitigating factors by the end of April.

7. Aberdeen City Council has [dropped its threat to effectively ‘fire and rehire’ staff](#) after reaching an agreement with unions. The dispute centred on the council’s plan to cut £5 million from its wage bill by freezing pay and reducing the working week from 37 to 35 hours. Under the new deal, workers will receive a buyout payment rather than a wage freeze, as well as enhanced overtime rates from next year, and pension protection.

8. The Aberdeen City Council worker who embezzled £1.1 million in the council tax refunds fraud case has been [ordered to pay £104,000 to the council as compensation](#). Prosecutors have raised a proceeds of crime action against Michael Paterson – who remained in significant debt despite the embezzlement – and a total of almost £168,000 will be seized, which he was expected to raise through the sale of his home.

9. Conclusions in Glasgow City Council’s annual audit report for 2023/24 on equal pay and a new pay and grading structure were reported online.

9.1. EY found [the council is paying £32.1 million a year](#), plus inflation uprating, in rent on the 17 properties it sold and leased back to fund its equal pay settlement.

9.2. The auditors also said the council must set a new date for the [delayed implementation of a new pay and grading structure](#), to provide certainty to staff and facilitate effective planning.

10. Orkney Islands and Highland councils are both said to be considering seeking a Venice-style version of the visitor levy. Authorities and business leaders in Orkney are advocating for a [point-of-entry tax on all visitors](#) – cruise passengers, motorhome tourists, and overnight guests – instead of the overnight stay tax being introduced elsewhere, while Highland is considering the same for the Isle of Skye.

11. The Highlands and Islands could secure [£100 billion of investment and tens of thousands of jobs](#), according to new research commissioned by Highlands and Islands Enterprise and the Highlands and Islands Regional Economic Partnership. The report outlines 250 planned projects, including renewable energy initiatives and infrastructure upgrades, which could create 34,000 jobs. However, the report has been criticised for overlooking the perspectives of residents affected by these developments and the need for local engagement in decision-making.

12. Glasgow's Low Emission Zone (LEZ) raised 23 per cent less revenue in 2024/25 than in its previous ten months of enforcement. [The council collected £757,000 in fines last year](#), compared to £982,000 between June 2023 and March 2024. Similarly, the City of Edinburgh Council says the number of fines it issued for breaches of its LEZ fell by 56% between June 2024 and January 2025, while [there has been a small but notable shift towards active travel and public transport](#). The reductions indicate some success in deterring polluting vehicles from the city centres, at the expense of council income and funding for environmental initiatives.

Policy area updates

13. The Scottish Government's [Programme for Government 2025/26](#), published on 6 May, provided few new measures in areas relating to local government, partly because it comes after the Scottish budget has already been set for the year. Announcements included:

- a pilot expansion of free school meals to S1-3 pupils in receipt of Scottish Child Payment, in eight local authority areas from August
- £1 million for local authorities to deliver holiday playschemes and activity provision for disabled children, and expansion of existing breakfast, after school and holiday provision
- abolition of peak rail fares to encourage more people to travel by train and reduce car journeys
- restatement of existing pledges to deliver more affordable homes, tackle long-term empty homes and implement policies and legislation aimed at preventing homelessness
- references to previously initiated legislation on Community Wealth Building, Education, Heat in Buildings, Housing and The Promise.

14. The First Minister’s statement to Parliament included a commitment to “keep Council Tax bills, already over 30% lower on average in Scotland, substantially lower than elsewhere in the UK”. However, this is not in the Programme itself, which only makes this pledge in relation to water bills.

Climate change

15. The Climate Change Committee (CCC) has warned that the Scottish Government will need to undertake [“immediate action at pace and scale”](#) to meet its target of reaching net zero by 2045. The CCC said this includes increasing the proportion of fully electric vehicles on Scotland's roads from the current level of three per cent to 60 per cent by 2035, and rapidly accelerating annual heat pump installations in existing homes to around 35,000 by 2030. [The CCC proposed new targets](#), to cut emissions by 57 per cent over the next five years and by 69 per cent to 2035, compared to 1990 levels. The Scottish Government says it will consider the report carefully but is expected to adopt the targets in the coming weeks.

16. Highland, Aberdeen City, Aberdeenshire and Moray councils have [jointly agreed a 20-year, £300 million contract](#) with a private provider to install 570 electric vehicle charging points across the combined area. The deal will see the number of EV chargers in the region more than double in the next three years. The company – EasyGo – will also be responsible for maintaining the area’s new and existing charging points. It’s the first time several councils have come together on a deal of this kind.

Communities and infrastructure

17. Two councils secured multi-million pound funding from the UK Government’s Levelling Up fund.

17.1. [Dumfries and Galloway Council](#) is to receive £13.8 million this year to support three projects aimed at making green transport more accessible to residents and visitors. The projects include transport hubs, and improvements to facilities for buses and to cycle routes and infrastructure.

17.2. [South Ayrshire Council](#) has been awarded £16 million to spend on regenerating Ayr town centre, including transforming Burns Statue Square, improving shopfronts, and developing an active travel route linking the town with Prestwick Airport. The council will consult on its plans, with construction to start in 2026.

18. Several Scottish councils are utilising [Starlink technology to enhance internet connectivity](#) in rural areas, according to a national investigation. In 2024, Starlink connections surged to 87,000, primarily in remote locations, more than doubling from 42,000 in 2023. Pilot projects, supported by the Scottish Government, are being implemented by councils including Argyll and Bute, Comhairle nan Eilean Siar and Falkirk.

Early learning and childcare

19. Scottish Borders Council [issued an apology to parents](#) while agreeing to “set aside” its previous decision to move towards closing a number of under-capacity nurseries. Five affected nurseries will remain open for the 2025/26 academic year, while the status of another three will be reviewed. The council will now form a working group to develop a mothballing policy, taking into account the views of parents.

Education

20. West Lothian Council confirmed that “personal or sensitive data” was stolen in a [ransomware attack on its education network](#), as well as operational information. Confidential pupil records, financial data and social work records are stored on different systems, but officials said they could not rule out each of these being stolen. The education network was quickly isolated from other council systems, and the council said there was no evidence these other systems were affected.

21. Around the same time, City of Edinburgh Council detected and halted an attempted cyber-attack on its education network, in the form of phishing emails. [Students’ passwords were reset as a precaution](#), temporarily cutting off their access to revision resources ahead of exams, while some networks were immediately shut down, but the council says its systems have not been compromised.

Health and social care

22. Concerns have been raised that above-inflation pay rises for NHS staff are drawing workers away from care homes. The latest NHS pay deal includes an 8% pay rise over two years and reduced working hours without loss of salary, boosting NHS support worker pay to £16.71 an hour by next April. In contrast, many care home roles are advertised at £12.21 an hour, with limited progression opportunities. Sector leaders warn the disparity risks undermining the value and sustainability of social care roles.

23. The Times reported that Scotland is spending over [£1.3 billion annually on disability benefits](#) for mental and behavioural conditions – matching the additional revenue raised from higher income tax rates, and equivalent to the budget of Police Scotland. Mental health issues account for more than half of Adult Disability Payment claims among under-45s. Critics say this welfare bill highlights systemic gaps in mental health care.

Housing and homelessness

24. A new research report, ‘Key Worker Homes in the South of Scotland’, has found that a shortage of housing is making a [significant contribution to shortages of key workers](#) in sectors including health and social care and education. The report was based on research carried out in partnership with Dumfries and Galloway Council, Scottish Borders Council, the Scottish Futures Trust and South of Scotland Enterprise.

25. Residents in Aberdeen affected by reinforced autoclaved aerated concrete (RAAC) will now be [offered alternative options to demolition](#). The council had previously decided to demolish and rebuild more than 500 council- and privately-owned homes, at a cost of £150 million. However, following disputes over valuations, residents will be able to explore other options such as sharing remedial costs between everyone in a block.

26. A large new residential-led development [next to the former Granton gasholder in Edinburgh](#) has been given final approval. The site will see 847 new homes, including 387 affordable homes, along with a primary school, community facilities and commercial space. The approval comes after the council agreed in principle in December to a [major new neighbourhood at West Town](#) comprising 7,000 homes, and approved an adjacent [3,000-home development on a former airport runway](#).

Council leadership changes

27. Independent councillor Brian Connolly has been elected as the new leader of South Ayrshire Council, succeeding Cllr Martin Dowey who was forced to resign after being recorded criticising officers and appearing to suggest he can help award contracts to friends. Fellow independent Cllr Alec Clark was elected as deputy leader, succeeding Cllr Bob Pollock who had been removed from his position. Cllr Iain Campbell was re-appointed as Provost, having resigned in the wake of the upheaval.

28. The leader of Aberdeenshire Council, Cllr Gillian Owen, resigned as Conservative group leader after sending derogatory messages about her party colleagues in a group chat. Ms Owen has been replaced as group leader by Stewart Adams, but will remain as leader of the ruling coalition until a council meeting on 26 June. Her outburst came after three Tory councillors defected to Reform UK, while another, Independent member remains in the administration despite becoming a Reform party member.

Other updates

29. The UK Ministry of Housing, Communities and Local Government (MHCLG) has issued a [timeline for establishment of a Local Audit Office \(LAO\)](#). The MHCLG plans to introduce legislation in mid-2025, and for the LAO to be legally established by autumn 2026 before assuming its responsibilities during 2027/28. The letter also sets out the department's approach to identifying local authorities under financial pressure and consequences for failing to publish audited accounts on time.

30. The Economy and Fair Work Committee published a report following its [inquiry into Scotland's City and Regional Growth Deals](#). The committee concluded that Growth Deals have provided long-term funding certainty which has catalysed projects across Scotland, and enabled collaborative working across local boundaries. It highlights improvements in how Deals are managed and delivered, but also comments on complex governance structures and a need for more flexibility and transparency.

31. The Local Government, Housing and Planning (LGHP) Committee published its [report on its inquiry into housing](#). The committee says a national action plan must be developed to tackle the housing emergency, with clear milestones and outcomes, to avoid the risk the crisis “drifts on indefinitely”. Meanwhile, the Scottish Parliament Information Centre (SPICe) [published a blog](#) looking at what has happened since the Parliament agreed to declare a national housing emergency in May 2024.

32. Stage 2 consideration of the [Housing Bill](#) by the LGHP Committee was completed on 3 June. Meanwhile Stage 3 of the [Care Reform Bill](#) – previously the National Care Service Bill – was scheduled for 10 June.

33. Other recent publications of relevance and interest are listed below:

- Local Government Information Unit (LGIU): [How shared services can be a gamechanger: An interview with Keith McNamara](#)
- LGIU: [Plan for Neighbourhoods: The offer for local authorities](#)
- LGIU: [How to build trust and a great profile](#)
- SPICe: [The Final Countdown to election 2026: Programme for Government 2025-26](#)
- SPICe: [The Scottish Government’s financial strategy – navigating uncertain fiscal waters](#)
- SPICe: [Updated forecasts set the context for pre-budget scrutiny](#)
- SPICe: [Second homes in Scotland – facts, figures and policy](#)
- SPICe: [Drouthy days: is Scotland prepared for drought?](#)
- SPICe: [Community Wealth Building \(Scotland\) Bill](#) (full briefing)
- Improvement Service (IS): [Exploring community wealth building and public service](#)

Updates on previous queries

34. We received an update from COSLA regarding work on reform of council tax. The work is being taken forward through the joint working group with the Scottish Government, and the Institute for Fiscal Studies has been commissioned to do detailed modelling and analysis which will allow for consultation and engagement starting in late summer on options around reform. The plan is for this to have been done by early next year, to allow time for a Parliamentary debate before the election, with the hope of commitments also being included in party manifestos.

35. Regarding the ‘funding model’ for integration joint boards (IJBs) – this is covered in legislation. Section 14 of the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) states that where an IJB is established between a local authority and a health board, each must make payments to the IJB in respect of the functions delegated to it, calculated using a method set out in the agreed integration scheme – with equivalent provision in the Act for cases where a ‘lead agency’ model is adopted.

36. The [Programme for Government](#) (PfG) did not contain a commitment of £100 million for wrap-around childcare and holiday provision for children with additional support needs. It did, however, include provision of £1 million to local authorities to deliver holiday playschemes and activities for disabled children, alongside expanding the 'Extra Time' programme of funded breakfast and out-of-school clubs. The [SPICe briefing on the PfG](#), meanwhile, highlights there was “no mention” of a previously-promised delivery plan for wraparound childcare for school-age children.

37. Regarding future use of the sheltered housing accommodation being considered for closure by Aberdeenshire Council, no proposals for re-purposing the buildings have been made, but the council has said that as the landlord it would still be responsible for maintenance and security of buildings that cease to be used for sheltered housing, and that their future use must deliver best value through the Housing Revenue Account that funds all council housing services.

Consultations

38. There are no updates regarding consultations. The Policy Manager will advise verbally of any changes.

Accounts Commission Action Tracker
As at: 04 June 2025



Action No.	Date	Action	Action by	Assigned to	Timescale	Progress	RAG Status	Date complete
25/025	15-May-25	Council tax reform Secretary to provide update to members as necessary following meeting with COSLA in May	Secretary	Sarah Watters	Jun-25	Update included in the Local government policy update for the June meeting	Complete	04/06/2025

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.