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Risk and Audit Scrutiny Committee

31 October 2023

South Lanarkshire Council Audit of 2022/23 annual accounts

Independent auditor's report

1. Our audit work on the 2022/23 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 31 October 2023 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Risk and Audit Scrutiny Committee's consideration our draft annual report on the 2022/23 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Risk and Audit Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Executive Director of Finance and Corporate Resources as Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

10. There are some areas where we still require additional information, and these are identified below:

- sample testing on a number of account areas.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of South Lanarkshire Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of South Lanarkshire Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and Council only Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the National Non-Domestic Rates Income and Expenditure Statement, the Council Tax Income and Expenditure Statement and notes to the financial statements, including Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of

the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director of Finance and Corporate Resources and Risk and Audit Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director of Finance and Corporate Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director of Finance and Corporate Resources is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

The Risk and Audit Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Executive Director of Finance and Corporate Resources as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Executive Director of Finance and Corporate Resources concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Executive Director of Finance and Corporate Resources is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and

that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and

- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Mr John Boyd
Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

Appendix B: Letter of Representation (ISA 580)

Mr John Boyd, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear John

South Lanarkshire Council Annual Accounts 2022/23

1. This representation letter is provided about your audit of the annual accounts of South Lanarkshire Council and its group (hereafter referred to as the Council) for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of South Lanarkshire Council's annual accounts for the year ended 31 March 2023.

General

3. The Council and I have fulfilled our statutory responsibilities for the preparation of the 2022/23 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (2022/23 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Council and its Group at 31 March 2023 and the transactions for 2022/23.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2022/23 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing

and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the Council's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2023 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2023 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. This has included consideration of the existence of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council's estate. I am satisfied that there is no indication of impairment of assets held.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2023.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

15. The pension assumptions made by the actuary in the IAS 19 report for South Lanarkshire Council have been reviewed and I confirm that they are consistent with management's own view. The pension asset has been capped to reflect the asset ceiling as determined through IFRIC 14. I am satisfied that the assumptions applied in the calculation are consistent with management's own view.

Liabilities

16. All liabilities at 31 March 2023 of which I am aware have been recognised in the annual accounts.

17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2023 of which I am aware where the conditions specified in the 2022/23 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2023. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2023 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

19. The accrual recognised in the financial statements for holiday untaken by 31 March 2023 has been estimated on a reasonable basis.

20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 31 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2022/23 accounting code and IAS 37.

Fraud

22. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2022/23 accounting code. I have made available to you the identity of all the Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

27. I confirm that the Council has undertaken a review of the system of internal control during 2022/23 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2023, which require to be reflected.

Group Accounts

29. I have identified all the other entities in which the Council has a material interest and have classified and accounted for them in accordance with the 2022/23 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common Good Fund

30. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by the Council have been assessed and accounted for in line with IAS 17.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2023 for which the 2022/23 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Paul Manning

Executive Director of Finance and Corporate Resources

Section 95 Officer

South Lanarkshire Council

2022/23 Annual Audit Report – PROPOSED



 AUDIT SCOTLAND

Prepared for the Members of South Lanarkshire Council and the Controller of Audit

October 2023

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Key messages

2022/23 annual accounts

- 1 Our audit opinions on the annual accounts of South Lanarkshire Council (the Council), its group and the section 106 charities administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.
- 3 Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

Financial management and sustainability

- 4 The Council continues to operate within its annual budget. While facing financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining general fund reserves in line with the long term Revenue Financial Strategy.
- 5 Capital expenditure was significantly less than originally budgeted in 2022/23.
- 6 There has been delays to the implementation of the Council's new HR/Finance systems.
- 7 While the Council has effective budget monitoring arrangements, given the scale of the financial pressures there is an opportunity for the Council to focus on financial resilience including key indicators and measures.
- 8 Medium and longer-term financial plans should continue to reflect the Council's strategic priorities and outcomes.

Best Value

- 9 The Council's vision is supported by clear priorities. The Council Plan demonstrates a clear commitment to empowering local communities and continuing to develop partnership working with them.
- 10 The Council approved its new Sustainable Development and Climate Change Strategy 2022-2027 in June 2022. The new strategy aims to tackle climate

change over the medium-term and provides a broad strategic direction for longer-term planning.

- 11** A Best Value Assurance Report on South Lanarkshire Council was published in March 2019, containing ten improvement recommendations. The Council has concluded these have now been addressed.

Vision, leadership and governance

- 12** There is effective collaborative working between members and officers to achieve the Council's priorities.
- 13** Governance arrangements are appropriate and operated effectively.
- 14** A comprehensive induction training programme was delivered. Officers should continue to work with elected members to support their training and development requirements to provide effective scrutiny.
- 15** The Council clearly reflects sustainability of the environment, and in particular climate change, in its vision and priorities.

Use of resources to improve outcomes

- 16** Elected members and officers have worked with communities to identify priorities that respond to their needs and has provided opportunities for more local participation in decision making.
- 17** The Council's Covid-19 recovery and renewal plans support those most affected and address inequalities.
- 18** The Performance Management Framework supports the delivery of the Council Plan. The Council has achieved or is on track to achieve most of its performance measures as set out in its Connect Plan.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of South Lanarkshire Council. The scope of the audit was set out in an annual audit plan presented to 7 March 2023 meeting of the Risk and Audit Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of South Lanarkshire Council's annual accounts
- conclusions on South Lanarkshire 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.

2. This report is addressed to South Lanarkshire Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of South Lanarkshire Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [*Code of Audit Practice*](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the Council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £591,835 (including £5,425 in respect of Charitable Trusts) as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the Council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Our audit opinions on the annual accounts of South Lanarkshire Council (the Council), its group and the section 106 charities administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.

The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Audit opinions on the annual accounts are unmodified

11. The Council approved the annual accounts for South Lanarkshire Council and its group for the year ended 31 March 2023 on 31 October 2023. In addition to the Council the group accounts consolidate the financial results of the Council and its subsidiaries and its investments in associates and interests in joint ventures. These include: Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee, Lanarkshire Valuation Joint Board, South Lanarkshire Integration Joint Board, South Lanarkshire Leisure and Culture Limited, Routes to Work South, Clyde Valley Learning and Development Joint Committee and the Common Good Fund.

12. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £26.5 million

13. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

14. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Council	Group
Overall materiality	£26.5 million	£27.2 million
Performance materiality	£15.9 million	£16.3 million
Reporting threshold	£250,000	£250,000

Source: Audit Scotland

15. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. We have used our professional judgement and set performance materiality at 60 per cent of overall materiality.

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

18. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

19. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance

in our audit of the financial statements. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
1. Job evaluation: Back pay for home carers The unaudited accounts highlighted that as part of the Council's Job Evaluation Scheme, a range of posts have been identified as requiring review. As part of this an job evaluation for Home Carers, a review is underway with to calculate backpay. In addition, a report to the Executive Committee on 21 June 2023 confirmed that a basis has been established for backdating the Job Evaluation outcome for Home Carers to October 2020. The Executive Committee was advised that the value of the back pay would take some time to calculate, however, these costs would require to be included in the financial position for 2022/2023. As the costs are in relation to Home Care, which is a delegated service, these costs will fall under the IJB and would require to form part of their financial accounts. The total cost of £18 million has now been paid for back pay for current staff and leavers and funded within the 2022/23 annual accounts. In addition, the Council is proposing to make a one off payment to the Health and Social Care Partnership (HSCP) of £7.2 million in 2023/24 to replace the reserves that they used in 2022/23.	The Council have updated the accounts to reflect the total cost incurred within 2022/23. This has included the cost of the backdated pay. This is included as an adjustment to the accounts in Appendix 2.
2. Pension ceiling asset The unaudited accounts recognised the Council's share of its local government pension scheme assets and liabilities as at the balance sheet date. IFRIC 14 limits the measurement of the net defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In accordance with IFRIC 14, the pension asset derived through IAS 19 valuation should be capped in accordance with IFRIC 14 at the pension	The audit team have reviewed the actuarial assumptions applied and basis of calculation and satisfied that this is appropriate and that the net pension asset ceiling has been appropriately capped in accordance with IFRIC 14.

Issue	Resolution
asset ceiling. This represents the economic benefit available as a reduction in future contributions.	
The Council engaged with the actuary, Hymans Robertson, to provide an actuarial valuation of the net pension asset ceiling (cap) in accordance with IFRIC 14.	
This is calculated as the Present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date) less the Present value of future service contributions. This has been calculated as £52.761 million and is reflected in the updated accounts.	

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
1. Risk of material misstatement due to fraud caused by management override of controls As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	Assessed the design and implementation of controls over journal entry processing. Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Tested journals at the year-end and post-closing entries and focus on significant risk areas. Considered the need to test journal entries and other	Results: We found no instances of material misstatement due to fraud caused by management override of controls.

Audit risk	Assurance procedure	Results and conclusions
	adjustments during the period. Evaluated significant transactions outside the normal course of business. Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.	
2. Estimation in the valuation of land and buildings. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. The Council held other land and buildings, including council dwellings, with a net book value of more than £3 billion as at 31 March 2022. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. There is therefore an increased risk of material misstatement in the valuation of land and buildings. Accounting for land and buildings also remains an area of focus for out 2022/23 audit work. Over several	• Review the design of controls in place at South Lanarkshire Council to ensure accurate valuation of land and buildings. • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the internal professional valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Assessing the reasonableness of the assumptions made and data used by the valuer in arriving at asset valuations. • Critically assess the approach South Lanarkshire Council has adopted to assess the risk that assets not subject to	Results: Assurance has been gained that there are no material misstatements in the carrying value of land & buildings. It is recommended the Council should consider their approach to the valuation of land and buildings to ensure this is appropriate to assess whether asset values have moved materially in year and as at 31 March. The valuer should also issue a formal year end valuation report to provide the required management assurances. Appendix 1: recommendation 2

Audit risk	Assurance procedure	Results and conclusions
years, we have identified errors in this area. The Council has taken steps to address previous audit recommendations, however, an error in a working paper resulted in a material misstatement in 2021/22. Whilst the error identified was corrected in the accounts, there remains a risk that similar issues are identified this year.	valuation are materially misstated, consider the robustness of that approach and the appropriateness of any assumptions made.	

Source: Audit Scotland

21. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- Pension liability:** The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability. We will utilise the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the Council’s actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2023.

22. We kept these areas under review throughout our audit. IAS 19 valuation resulted in a net asset position; the Code requires the Council to consider whether the level of asset should be limited to the estimated benefit to the Council in accordance with IFRIC 14. Based on the findings of the audit procedures performed, we have reported these at [Exhibit 2](#) above.

Adjustments above our reporting threshold were updated within the financial statements

23. Adjustments above our reporting threshold were corrected by management in the audited accounts. Further details are included in [Appendix 2](#).

The unaudited annual accounts were received in line with the agreed audit timetable

24. The unaudited annual accounts were received in line with our agreed audit timetable on 27 June 2023.

Our audit opinions on Section 106 charities were unmodified

25. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

26. The Council has made good progress in reducing or removing the number of charitable trusts where it is the sole trustee.

27. Our audit opinions on the Section 106 charities are unmodified.

Good progress was made on prior year recommendations

28. The Council has made good progress in implementing the audit recommendations identified by the Council's previous external auditor. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Main judgements

The Council continues to operate within its annual budget. While facing financial challenges through inflationary pressures on pay and non-pay costs as well as demand on services, the Council continues to demonstrate sound financial management maintaining general fund reserves in line with the long term Revenue Financial Strategy.

Capital expenditure was significantly less than originally budgeted in 2022/23.

There have been delays to the implementation of the Council's new HR/Finance systems.

The Council operated within budget in 2022/23

29. The Council approved its 2022/23 revenue budget of £835.14 million in February 2022. In its 2022/23 annual accounts, the Council reported a deficit on the provision of services of £35.945 million. The outturn position reflected an underspend against council services of £45.7 million which the Council agreed to contribute to reserves.

30. The Council has a good track record of delivering services within budget over several years. The changes in the budget position were reported in revenue budget monitoring reports presented to the Executive Committee throughout the year. These reports contained a good level of detail on the forecast outturn position. The more significant under and overspends are summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant underspends/over-recovery against budget

Area	£m	Reason for variance
Underspends		
Community and Enterprise Resources	£1.555	Additional income from waste and planning and building standards.

Area	£m	Reason for variance
Education Resources	£1.311	Due to the timing of spend on multi-year programmes such as Early Learning and Childcare and Pupil Equity Fund. These monies will be carried into 2023/2024.
Finance and Corporate Resources	£0.978	Due to the timing of receipt of external funding, which will be carried forward for use in 2023/2024.
Loan Charges	£4.721	Lower than anticipated interest costs as a result of taking a lower amount of long-term borrowing than previously anticipated during 2022/2023
Over recovery		
Council Tax/Council Tax Reduction Scheme	£4.793	The impact of additional houses added in-year as well as higher than anticipated level of income from previous years arrears collection and additional income from empty properties.

Source: South Lanarkshire Council 2022/23 Annual Accounts

An overspend of £3.990 million was reported against the Housing Revenue Account (HRA) budget

31. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

32. The Council reported a £3.990 million overspend against the HRA budget for 2022/23. The overspend was primarily due to the annual expenditure on the council houses exceeding total income received in year. In addition, the Council received income of £0.610 million through Council Tax from owners of second homes. The net impact was to reduce the Housing Revenue Reserve from £16.241 million in 2021/22 to £12.861 million in 2022/23.

The Council has appropriate and effective budget setting and monitoring arrangement in place

33. The Council continues to balance its budget each year and maintains the level of reserves is in line with the long term Revenue Financial Strategy.

34. From our review of these reports, we concluded that these provide an overall picture of the budget position at service level and good explanations for significant variances against budget. These allow both members and officers to carry out scrutiny of the Council's finances.

35. The Council has appropriate and effective budget setting and monitoring arrangements in place. Council members worked collaboratively to set the Council budget for 2023/24.

The level of General Fund reserves has increased however the majority of these are earmarked for specific Council priorities

36. One of the key measures of the financial health of a body is the level of reserves held. The General Fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure.

37. The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the Council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made, resulting in a one-off credit to the General Fund (shown in the Movement in Reserves Statement) and ongoing annual savings for a period of time.

38. The Council has applied the permitted change in the calculation of the statutory charge in 2022/2023 and the adopted approach has been applied across the Schools PPP and the Glasgow Southern Orbital financial arrangement. This has resulted in a credit of £64 million in 2022/2023, which can be used to support future budget pressures.

39. The level of usable reserves increased from £152.186 million in 2021/22 to £176.941 million in 2022/23 [exhibit 5](#). The General Fund balance is £150.283 million, however £137.240 million has been earmarked for a specific priority which leaves a residual £13.043 million of uncommitted general reserves. Against an expenditure budget of £835 million for 2022/2023, this unearmarked element represents a 1.55 per cent reserve. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures.

40. As we moved out of the pandemic the Covid-19 reserve has reduced from £30.061 million in 2021/22 to a closing balance of £11.658 million.

Exhibit 5

South Lanarkshire Council usable reserves

Reserve	31 March 2020 £'million	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	75.579	116.980	122.424	150.283
Housing revenue account	9.713	12.784	16.241	12.861
Repair and renewal fund	5.918	7.484	6.496	7.610
Capital fund	10.327	6.268	5.730	4.776

Insurance fund	2.053	2.304	1.295	1.411
Total usable reserves	103.590	145.820	£152.186	176.941

Source: South Lanarkshire Council annual accounts 2019/20 to 2022/23

41. We are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level. However, there are ongoing sustainability challenges of using reserves to fund recurring expenditure. Difficult decisions will need to be taken in the future, with a clear plan and effective management of the Council's reserves key to maintaining financial sustainability. This is considered further at paragraphs 78-81 below.

Capital expenditure was significantly less than originally budgeted in 2022/23

42. The Council approved the 2022/23 capital programmes in February 2022. The general services programme for 2022/2023 originally totalled £82.284 million, with the housing capital programme amounting to £52.230 million.

43. At the Executive Committee meeting in June 2022, revisions were made to the general services programme, with the slippage from 2021/22 and additional funding received, added to the programme budget to give an updated budget of £99.534 million for 2022/23. At the August 2022 meeting, revisions were made to the housing capital programme bringing this to £66.361 million. This increase of £7.311 million reflects the expenditure on new build homes at East Whitlawburn.

44. At each meeting of the Executive Committee, capital programme monitoring reports are presented to members. Throughout the year these reports detailed the various movements in the general services programme budget.

45. At the June 2023 Executive Committee, the general services outturn capital programme spend was reported as £65.736 million for 2022/23, against original budget representing a slippage of 20 per cent.

46. The underspend reflects a variation from the expected timing of spend across a number of projects within multi-year programmes. The main projects contributing to the underspend include the Place Based Investment Projects, Roads Investment Programme, Roads Participatory Budgeting, Clyde Bridge, Cycling Walking and Safer Routes and Roads City Deal.

47. The housing capital programme outturn was reported as £60.695 million for 2022/23, against the revised budget of £66.361 million. This represents slippage of nine per cent against the revised budget (slippage of eight per cent against 2021/22).

48. This underspend is due to a number of factors, mainly, property services operatives being diverted to tackle the impact of bad weather in December which resulted in flooding damage to a number of Council properties and delays

in relation to the expected milestone payments for the Strathaven new build project.

49. Capital programmes can be delayed through their complexity, pressing demands and involvement of third parties, however slippage in the capital investment programme increases the risk to the Council. Delayed investment can lead to inefficiencies in the existing estate with adverse impact on service delivery. There is also a risk that resources being reallocated to ad-hoc activities could result in the Council not focusing on areas of strategic importance.

Recommendation 1

The Council should review the underlying reasons for recurring slippage within the capital programmes to identify opportunities to review project management and budget setting procedures in place.

The Council does not undertake valuations as at the year end and does not produce a formal annual valuation report

50. Bodies should carry out valuations as at the year end, i.e. as at 31 March. However, there is no requirement for this, and bodies may use 1 April (or other date) subject to the standard condition that the carrying amount at the end of the year does not differ materially from the current value at that date.

51. Where a valuation has been carried out at 1 April 2022, a body should evaluate whether:

- there have been any movements in value during 2022/23 that should be reflected in the 31 March 2023 carrying amount
- there is sufficient evidence that supports the body's consideration of the above is adequate
- it has made necessary adjustments to the 31 March 2023 carrying amount to reflect any movements that require to be reflected.

52. The Council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2022/23 has taken place as at 1 April 2022.

53. Although the Council were able to provide the required information and supporting documentation to support the valuations undertaken during the year, the valuer does not produce a formal year end valuation report.

Recommendation 2

The Council should consider their approach to the valuation of land and buildings to ensure this is appropriate to assess whether asset values have moved materially in year and as at 31 March. The valuer should also issue a formal year end valuation report to provide the required management assurances.

The Council is continuing to undertake a review of its estate to identify any buildings containing Reinforced Autoclaved Aerated Concrete

54. Reinforced Autoclaved Aerated Concrete (RAAC) was widely used in the construction of floors and roofs from the 1950s to early 1990s. Recent investigations have identified that leaks or water exposure could lead to the deterioration of RAAC planks.

55. The Scottish Government are working in partnership with the UK Government on research into the extent of the use of RAAC in public buildings and public bodies, including the Council, have been advised to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls made of RAAC.

56. The Council has undertaken an initial assessment of its estate and the significant investment in recent years means that this material is not an issue within any part of the school estate with specific work concluding in September.

57. With regards to the remainder of the Council's operational properties, a desktop analysis of building information has been carried out in line with the relevant guidance. This analysis identified 49 properties for further investigation, based on age and construction type. Should any incidences of RAAC be found, a specialist structural engineer will assess these buildings.

58. The Council has also prioritised work to check the safety of Council Houses. An initial desktop analysis has been undertaken to identify the house types which may require further investigation. Following that analysis, a programme of inspections is underway.

Overall, we concluded that the Council has satisfactory systems of internal control in place however payroll reconciliations were not up to date

59. Our responsibilities under the Code of Audit Practice requires us to assess the system of internal control put in place by management. We seek to gain assurance that the Council:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud, or corruption
- complies with established policies, procedures, laws, and regulations.

60. We carried out a review of the key controls within the financial systems used by the Council during our interim audit. Overall we concluded that the Council has satisfactory systems of internal control in place. However, payroll reconciliations which are a key control were not up to date.

61. The Council's internal guidance requires that all payroll must be reconciled at least once a month. Payroll reconciliations were not carried out on a regular basis during 2022/23.

Recommendation 3

The Council should ensure payroll reconciliations are undertaken in line with internal guidance.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

62. The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

63. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

64. We have concluded that the Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

Two Councillors received sanctions following hearing by the Standards Commission for Scotland

65. All local councillors are expected to adhere to the [Councillors' Code of Conduct](#) as issued by Scottish Ministers in December 2021. Complaints of breaches of the code are investigated by the Ethical Standards Commissioner and adjudicated upon by the Standards Commission for Scotland.

66. In 2023, two South Lanarkshire Council Labour councillors had cases heard by the Standards Commission for Scotland relating to the inappropriate disclosure of confidential information in 2021. The resulting sanctions were a two month suspension for the Leader of the Council, Councillor Joe Fagan after a hearing in June 2023 and censure for Councillor Monique McAdams following a hearing in August 2023.

There has been delays to the implementation of the Council's new HR/Finance systems

67. The Council's current HR/Finance system, Oracle E-Business Suite (EBS), has been in place since 1999. This version will no longer be supported by Oracle after December 2023. At the September 2021 meeting of the Finance and Corporate Resource Committee, members were presented with a range of options and approved the upgrade of the HR/Finance systems to Oracle Fusion. It is anticipated that moving to the new system could result in cashable savings

of £2.253 million being realised by 2024/2025. These savings will come from efficiencies created in using the new system. For example, costs will be saved through the replacement of the current online learning, flexi, and recruitment systems.

68. The expected go live date for the new system was June 2023 but this has been pushed back until the start of the new financial year, 2024/25. The Council has in place a project plan for the new system. This includes a timeline for the data migration. As with any major change in financial systems, there is an increased risk of misstatement or error when transferring over figures and balances. Progress with the project will be kept under review as part of our 2023/24 audit.

National Fraud Initiative

69. The Council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. Investigations for the current exercise have a deadline for investigation of 31 December 2023. It is anticipated that most investigations will have been completed ahead of this date and further updates on progress will be reported to the Executive Committee during 2023/2024. The Council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

While the Council has effective budget monitoring arrangements, given the scale of the financial pressures there is an opportunity for the Council to focus on financial resilience including key indicators and measures.

Medium and longer-term financial plans should continue to reflect the Council’s strategic priorities and outcomes.

We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2022/23 Annual Audit Plan

70. [Exhibit 6](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 6

Risks identified from the auditor’s wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
Financial Sustainability As is the position across Scotland, South Lanarkshire Council continues to operate in an increasingly complex and challenging environment where they aim to provide the best possible service within the resources available. Although plans are in place to meet the 2023/24 budget gap, there are considerable budget gaps to be addressed from 2024/25 onwards with the Council identifying a	Reviewed the Council’s annual budget setting arrangements. Reviewed and assessed budget monitoring arrangements. Reviewed the Council’s medium to longer-term financial planning. Reviewed of the Council’s financial position and delivery of planned savings.	Results and conclusion: The Council recognise the financial challenges facing the organisation but measures have still to be put in place to achieve financial sustainability over the medium to longer term.

Audit risk	Assurance procedure	Results and conclusions
savings requirement of £87.8 million from 2024/25 – 2027/28.		

Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes

71. At the Council meeting in June 2023 management advised that the budget gap, before any corporate solutions, for 2024/25 was estimated at £60.102 million. Key elements making up the budget gap are:

- pay and pension items which includes assumed pay award for teachers and non-teachers: £16.120 million
- Reinstatement / Impact of Prior Year Budget Decisions and includes the need to reinstate budget to cover one-off savings from previous years and also to take the benefit of residual impact of previous year decisions: £30.675 million
- contract impacts / other and includes inflationary increases on non-domestic rates, the secondary schools' modernisation contract (PPP), utilities, social care for children and families and waste: £11.616 million

72. Corporate solutions of £30.895 million were identified, including:

- Service Concessions: this is the one-off use of Reserves resulting from the implementation of Service Concessions. This requires to be reinstated into 2025/2026: £27.500 million
- Council Tax – Property Numbers: which reflects the increase in property numbers being experienced so far in 2023/2024 and a projection of a further increase during the year and into 2024/2025: £2.219 million

73. This left a budget gap of £29.207 million in 2024/25. The report noted that this is very different to those managed in recent years and that consideration will be required regarding what the Council does for its communities, and that difficult decisions will need to be made to balance the Council's budget.

74. It was proposed that options to meet the budget gap will be developed for members consideration and brought back to a future meeting. Officers are presenting information to the Budget Sounding Board that have identified areas of budget that could be developed into savings options. The report reiterated the extent of the budget gap will mean and that options will have to go significantly beyond the level of efficiencies made in previous years.

75. The position for the years beyond 2024/2025 was last presented to Council in February 2023. These estimations are being refreshed as part of the ongoing exercise on the 2024/2025 Budget Strategy, and members will be updated later in the financial year. The current savings required across the coming years is summarised below: 2025/26 to 2027/28 of £71.0 million, [exhibit 7](#).

Exhibit 7

Identified savings requirement 2025/26 to 2027/28

	2025/26	2026/27	2027/28	Total
Savings required £'million	£39.6	£20.3	£11.1	£71.0

Source: Budget Strategy – 2023/2024 Update and Longer-Term Financial Outlook

76. Medium and longer-term financial plans will need to be revised by all councils to take account of their overarching recovery strategies. This will ensure a cohesive approach to recovery and renewal of services.

77. The Council should continue to identify where it can progress transformational change in how its services are delivered. This should identify where recurring savings, rather than temporary solutions, can be made together with proposals to reduce costs. This, combined with robust longer-term financial plans, will be key to maintaining financial sustainability.

Recommendation 4

The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.

While the Council has effective budget monitoring arrangements, given the scale of the financial pressures there is an opportunity for the Council to focus on financial resilience including key indicators and measures

78. The Council recognises the financial challenges it faces in the coming years. As detailed in [exhibit 5](#), as at 31 March 2023, the Council had a total General Fund balance of £150.283 million. Of this £134.485 million has been earmarked for a specific priority and £2.755 million has been approved for budget strategies. This leaves a residual £13.043 million of uncommitted general reserves.

79. The Council's level of uncommitted general reserves as a percentage of overall budget was below the Scottish average as at 31 March 2022 of 3.48 per cent (LGBF financial sustainability indicators). We recognise that the level of unearmarked reserves is dependent on councils' approach to earmarking funds. However, as at 31 March 2022, the Council's overall total useable reserves as a percentage of budget was 14.74 per cent compared to the Scottish average of 24.44 per cent.

80. The Council faced a number of significant financial challenges during 2022/23, including funding the £18 million cost in relation to the settlement of

the home carers pay claim. The Council demonstrated financial resilience in meetings this cost without adversely impacting on service delivery in 2022/23.

81. Looking forward, over the medium to longer term, the level of financial challenge facing the Council is unprecedented. The Council has an effective financial planning and monitoring arrangements in place, with regular reporting throughout the year. However, given the scale of the challenges there is an opportunity to enhance its focus on financial resilience, including greater emphasis on its reserves position; clear financial resilience indicators and measures; and alignment to risks ensuring there is a clear financial strategy to support a resilient council.

Recommendation 5

Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. The Council should also enhance the level of monitoring around financial resilience indicators and risks.

The Council responded to the Pre-budget Scrutiny Call for Evidence on Sustainability of Scotland's Finances

82. In recent years, in line with the recommendations of the Budget Process Review Group report, Scottish Parliament subject committees have undertaken pre-budget scrutiny, in advance of the publication of the Scottish budget.

83. The intention is that committees will use pre-budget reports to influence the formulation of spending proposals while they are still in development. In order to facilitate this, committees are required to publish pre-budget reports at least six weeks prior to the Scottish budget. The requirement to engage early in the budget process with local government is reflected in the developing Fiscal Framework element of the New Deal for Local Government jointly agreed between the Scottish Government and COSLA.

84. As part of its pre-budget scrutiny, the Finance and Public Administration Committee of the Scottish Parliament issued a call for evidence on 28 June to inform its enquiry into the sustainability of Scotland's Finances. This inquiry will form the basis of the committee's pre-budget 2024/25 scrutiny, along with the evidence gathered from its Public Service Reform inquiry.

85. A report by the Executive Director (Finance and Corporate Resources) on the Council's response to the call for evidence on the sustainability of Scotland's finances was approved by the Executive Committee on 16 August 2023 and subsequently submitted to the Scottish Parliament.

86. The focus of the Finance and Public Administration Committee's enquiry was the sustainability of Scotland's finances in both the short and longer term and details of the challenges faced within both time frames were provided in the

report. Details were also given of the questions on which the Committee had asked for views.

87. The Council's response to the call for views emphasised the unprecedented financial pressures faced by local government. It made the point that any further reductions in budgets would have severe implications for councils' ability to deliver services which would, in turn, hinder the ability of councils to support Scottish Government priorities and the achievement of national outcomes.

88. The proposed response included the following key points:

- local authorities had a pivotal role in delivering national outcomes and medium and long term strategies for funding the public sector should recognise this key role
- reductions in budget and significant increases in costs over a sustained period had significantly reduced the capacity of councils to offer a range of core services and respond to national issues such as the cost of living crisis and carbon reduction
- current funding arrangements limited the ability of councils to plan and invest in dealing with long term systemic challenges and single year budgets for local government restricted longer term planning, fostering short term interventions
- local government is now facing critical pressures in funding, due to the unprecedented level of inflation over the last 2 years, on top of many years of having to make savings/cuts. Decisions that councils will have to take over the next year will include cuts that will impact significantly on communities and households at a time when they need the services provided by councils more than ever
- Scottish Government required to take current unprecedented pressures into account when making spending decisions, especially where they affected frontline council services

89. The Parliamentary Committee had issued its call for views as part of the normal pre-budget scrutiny process. The Committee would hear oral evidence in September/October 2023 and consider the draft report in early November, with a view to publication shortly thereafter.

4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Main judgements

The Council's vision is supported by clear priorities. The Council Plan demonstrates a clear commitment to empowering local communities and continuing to develop partnership working with them.

The Council approved its new Sustainable Development and Climate Change Strategy 2022-2027 in June 2022. The new strategy aims to tackle climate change over the medium-term and provides a broad strategic direction for longer-term planning.

A Best Value Assurance Report on South Lanarkshire Council was published in March 2019, containing ten improvement recommendations. The Council has concluded these have now been addressed.

Best Value work in 2022/23

90. For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years.

91. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this annual audit report.

92. Annual thematic Best Value work is set by the Accounts Commission. The results of this work were reported to elected members at the Risk and Audit Scrutiny Committee on 31 October 2023. This report will be published on the Audit Scotland website in due course.

93. The audit recommendations from the thematic report, together with the management responses, are included in [Appendix 1](#) of this report.

Leadership of the development of new local strategic priorities

94. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The key findings in this report are:

- The Council's vision is supported by clear priorities. The Council's Connect Plan 2022-27 (the Council Plan) is the strategic document that sets out the Council's vision, values, priorities and outcomes and what difference this will make to the residents and communities of South Lanarkshire.
- The Council Plan demonstrates a clear commitment to empowering local communities and continuing to develop partnership working with them.
- Both the Council and Community Plans clearly reflect the priority to reduce inequalities. The Council and the Community Planning Partnership (CPP) show a commitment to tackling inequalities, poverty and fairness across South Lanarkshire. The CPP has a Children's Services thematic partnership that includes a commitment to tackling inequality, discrimination and poverty. The CPP is also undertaking research into **lived experience** in two communities to help tackle poverty as part of its Child Poverty Action Plan.
- The Council approved the Community Wealth Building (CWB) Strategy in March 2021 and subsequently the CWB Commission was set up to engage a wide range of partners and stakeholders in the CWB agenda. A community wealth building action plan for the delivery of the CWB strategy was first approved by the Community wealth building Commission in August 2021 with annual reports providing progress updates.
- The Council approved its new Sustainable Development and Climate Change Strategy 2022-2027 in June 2022. It was developed using the principles of the United Nation's Sustainable Development Goals and to reduce the Council's contribution to global warming. The new strategy aims to tackle climate change over the medium-term and provides a broad strategic direction for longer-term planning.
- Resource Plans are prepared annually by each Resource (service department), and they reflect the outcomes detailed in the Council Plan. They also provide an overview of the Resource's main areas of activity, the key areas of focus for the year ahead and the measures and actions planned for maintaining and improving services.
- The Council is forecasting a budget gap of £29.207 million which is significantly higher than in 2022/23 and those in previous years. The Council faces difficult decisions around the level and types of services it provides if it is to be financially sustainable.

- There is collaborative working between members and with officers. The Council has a number of cross-party working groups and there remains agreement and cross-party support for significant initiatives.
- In 2023, two Councillors had cases heard by the Standards Commission for Scotland relating to the inappropriate disclosure of confidential information in 2021, resulting in sanctions being imposed.

Best Value improvement recommendations from the 2019 Best Value Assurance Report have now been addressed

95. The [Best Value Assurance Report](#) (BVAR) was issued in March 2019. The BVAR contained ten improvement recommendations, in areas including how community engagement is used to shape services, the role of the Community Planning Partnership Board and the need for elected members to review their training needs. In the 2021/22 AAR, the previous external audit team concluded that the Council has put in place arrangements to address the six recommendations that were still open at that time, as detailed in [exhibit 8](#).

Exhibit 8

Progress against BVAR recommendations

BVAR recommendation	Audit Scotland view on progress to date
1. To increase the impact of the council's efforts in achieving its strategic objectives, links between the council plan (Connect Plan) and the LOIP (Community Plan) should be made clearer with a sharper focus on the key areas of activity. Locality plans should be prepared without further delay.	Complete The new Connect Plan for 2022-2027 was published in June 2022. The new plan has three priorities: people, progress, and planet. These are in line with the three key ambitions outlined in the new Community Plan 2022-2032 which was also published in June 2022. These plans have been designed as companion publications and share the same vision, priorities, and outcomes. Ongoing To date, eight neighbourhood plans have been published, with a further three in progress.
2. Elected members need to improve the public scrutiny of key decisions, performance, and financial reports.	Ongoing Management have advised that the overall level of scrutiny has improved over the last Council term. Work is ongoing to provide newly elected members, including those on the Risk and Audit Scrutiny Committee, with training to assist them in their scrutiny and challenge role. Member engagement and scrutiny will be an area of focus for the new audit team.

3. Members should, with the assistance of the personnel service, review their personal training and development needs and agree a plan to ensure that they have the skills required to effectively fulfil their scrutiny and challenge roles.	Complete Since the local elections in May 2022, elected members have undertaken a comprehensive training and induction programme, covering key areas to enable them to fulfil their scrutiny and challenge roles. Members also have access to a library of “Learn on Line” courses which cover a wide range and variety of courses to develop members skills. A training plan for the remainder of the financial year is in place which will support members in effectively carrying out their roles (see paragraphs 139 to 140 for further details).
4. Management should review arrangements for assessing resident satisfaction, to ensure these are providing meaningful data to help shape future services.	Complete Since January 2020, the Organisational Development Team have carried out 941 surveys. Of these, 116 relate to customer satisfaction. The results of these surveys inform decisions taken on future services of the council.
5. The Community Planning Partnership Board should take a more active role in driving partnership working, monitoring outcomes, and feeding back to thematic subgroups.	Complete The Community Planning Partnership Board is well developed and is providing oversight and driving partnership working. The Board has established a number of groups to promote partnership working such as: • The Community Planning Outcomes Leads Group • The Partnership Community Participation Engagement Group • The Community Planning Communications Group • The Community Partnership Website Review Group The Board has also recently worked with North Lanarkshire Community Planning Partnership to identify shared priorities for action.
6. Management should implement revised arrangements for community engagement to improve how it is used to shape services. Consistent and high-quality consultation across all services should be part of this.	Complete The Community Participation Engagement Group oversaw the engagement activity around the new Connect and Community Plans which were built from the communities up using engagement to identify resident's views and aspirations. ‘Community Conversation’ focus groups took place, involving more than 200 residents. This was the largest consultation carried out to date by the council and added to a body of existing knowledge that had already emerged from community events and work developing neighbourhood plans.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Main judgements

There is effective collaborative working between members and officers to achieve the Council's priorities.

Governance arrangements are appropriate and operated effectively.

A comprehensive induction training programme was delivered. Officers should continue to work with elected members to support their training and development requirements to provide effective scrutiny.

The Council clearly reflects sustainability of the environment, and in particular climate change, in its vision and priorities.

96. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

97. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive.

The Council has clearly articulated its vision and priorities

98. The Council's Connect Plan 2022-27, is the strategic document that sets out the Council's vision, values and objectives and what difference this will make to the residents and communities of South Lanarkshire.

99. The Council's vision is '**to improve the lives and prospects of everyone in South Lanarkshire**'. It sets out the key actions to be delivered over five years, around a long-term vision with three key priorities and supported by six detailed outcomes.

100. The political priorities of the new minority administration (a Labour-Liberal Democrat-Independent agreement to work in partnership) are sustainable economic recovery, sustainable income generation and financial resilience and action on climate change. The initial programme of areas of work are presented in three over-arching themes:

- **People:** the Council and Community Planning Partnership has identified tackling poverty as an overarching theme and a review of anti-poverty strategies as well as focussing on raising literacy and numeracy standards and narrowing the poverty-related attainment gap.
- **Places:** the administration's priorities are being sustainable and achieving innovative economic recovery and development and tackling climate change with a focus on growing South Lanarkshire's wealth and delivering a new Green Deal.
- **Planet:** there is a clear link to the **Places** theme with a focus on sustainable growth. The Council also revised the terms of reference for the Climate Change and Sustainability Committee to give it full committee status in line with the other five Resource Committees.

101. The Council's Connect Plan 2022-27 is clearly signposted and publicly available on the Council's website and was well publicised across the Council's communication channels.

There is effective collaborative working between members and officers to achieve the Council's priorities

102. In May 2022, at the first meeting of the new Council, the new minority administration (a Labour-Liberal Democrat-Independent agreement to work in partnership) was put in place succeeding the Scottish National Party who led the Council in the preceding five years.

103. The new Council approved the same decision-making structure as had been used for the previous administration. This means that all committees and forums report to the Council through an Executive Committee.

104. The Council has a two cross-party working groups: a Budget sounding board and Equal opportunities Forum. The Budget sounding board was the successor to the Budget working group and was established after the May 2022 elections. The Equal opportunities forum was already established and took on the remit of the Equity Working Group after the May 2022 elections. These cross-party working groups help strengthen relationships between members. It was recognised that member to member relationships also demonstrated good cross party working at a ward level, to achieve local goals.

Governance arrangements are appropriate and operated effectively

105. The Council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

106. The Council has appropriate governance arrangement in place which support effective scrutiny, challenge and decision making. This is informed by our regular attendance at the Risk and Audit Scrutiny Committee and review of Council, Executive Committee and other committee papers as appropriate.

107. We have concluded that overall, the Council has appropriate governance arrangements in place which support effective scrutiny, challenge and decision making.

There is an experienced management team in place to support the Council in delivering its objectives, however the Chief Executive will retire in January 2024

108. The Council has an experienced management team in place that has been relatively stable in recent years. Two new Executive Directors have been permanently appointed within the last two years. These were the Executive Director for Housing and Technical Resources and Education resources. During August 2023 the current Chief Executive, announced his intention to retire in January 2024. The process to appoint a replacement has already started and will require careful consideration around the future strategic direction of the Council.

109. In addition to a Management Development programme for all managers, the Council developed and launched a leadership challenge programme in 2021/22 to develop 'rising stars' identified by the CMT and assist with succession planning. As part of the Best Value thematic work for 2023/24 the topic will be looking at workforce challenges.

A comprehensive induction training programme was delivered. Officers should continue to work with elected members to support their training and development requirements

110. Following the local government elections in May 2022, newly elected and returning members have taken part in a number of training courses, including a comprehensive induction programme. This comprised of welcome sessions, outlining members' key roles and responsibilities as councillors together with specific training on areas such as risk and audit awareness training. The Council has put in place an ongoing training plan with this updated as required during the year. The plan includes access to a library of Learn online material which cover a wide range and variety of courses to help develop members skills. Officers advised that a needs-based approach is taken to training for members, including specific training for committees such as recruitment, appeals, planning and licencing.

111. Members have a responsibility to take advantage of the training opportunities provided to ensure that they have the skills required to effectively fulfil their scrutiny and challenge roles. Members we spoke to recognise the training available to them including the online learning material but said it might be helpful to establish formalised personal development plans for members.

112. Discussions with elected members identified that they felt working relationships between officers and elected members were good and

communication worked well. Council officers have also provided a number of relevant members briefing sessions on key topics.

113. Members who were chairs or vice chairs of committees said they felt supported in their role, receiving detailed explanations from officers in relation to committee papers. However other committee members felt overwhelmed by the volume, complexity and technical nature of some committee papers, and this impacted on their ability to undertake their scrutiny role effectively.

114. Elected members who were newly elected in May 2022, reflected that now they better understand their role it would be helpful to have refresher training in some of the induction sessions provided after the elections.

Tackling Climate change

115. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

116. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

117. The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

The Council clearly reflects sustainability of the environment, and in particular climate change, in its vision and priorities

118. One of the three Council priorities is Planet which is specifically about working towards a sustainable future and sustainable places. Residents' feedback identified climate change as a key concern with young people specifically asking to be involved in shaping and influencing actions. The Plan also refers to the Council's Sustainable Development and Climate Change Strategy and to reducing carbon emissions and seeing more energy efficient homes in terms of outcomes.

119. The Council's plan recognises the importance of addressing the climate emergency and setting actions to achieve net zero. As reported in the Accounts Commission's [Local Government in Scotland: Overview 2022](#) report, commitments such as this will contribute to councils' overall recovery and renewal from the pandemic.

120. The Council approved its new Sustainable Development and Climate Change Strategy 2022-2027 in June 2022. It was developed using the principles of the United Nation's Sustainable Development Goals and to reduce the Council's contribution to global warming. The new strategy aims to tackle climate change over the medium-term and provides a broad strategic direction for longer-term planning.

121. The Council sought views from a range of stakeholders to help it shape the strategy. The strategy contains 13 priorities with one of these being the achievement of net zero by 2045. The Council is working on an action plan which will look at longer term objectives as well as detailing annual measures.

Exhibit 9

Sustainable Development and Climate Change Strategy 2022-2027 key themes



Source: South Lanarkshire Council: Sustainable Development and Climate Change Strategy 2022-2027

122. The failure to meet sustainable development and climate change objectives as one of the highest risks identified by the Council. It has established a separate Committee to scrutinise progress in this area ensure the climate change agenda has prominence and focus within the Council.

123. The Council's Climate Change and Sustainability Committee is responsible for overseeing the progress with the strategy, including consideration and scrutiny of the action plan measures aligned to it. These will be reported twice each year to the committee and performance information on the reduction in the Council's carbon emissions is also reported to the Performance and Review Scrutiny Forum.

124. In 2021/22 the Council's internal audit function undertook a review of the work to develop this new strategy. Following the review, the Council has reported a one year interim Sustainable Development and Climate Change Strategy Action Plan was being implemented for 2022/2023. Progress on the interim action plan, together with a full action plan covering the five year period

of the strategy was approved by the Climate Change and Sustainability Committee in February 2023. A further progress report on the 2022/23 action plan was reported to the Committee on 20 September 2023.

125. The Council recognises the need to build on its strategy. It has committed to the preparation of an action plan that will detail how the statutory requirements, including net-zero will be achieved. It has also committed to working with stakeholders to establish a more joined up and collaborative approach to tackling climate change.

126. In June 2023 the Climate Change and Sustainability Committee considered a report by Aether Ltd, to identify actions to help the Council meet its long-term targets. The report proposed the following four next steps which the Committee approved:

- to agree how to engage with key stakeholders and involve them in area wide emissions reduction
- to agree, along with key stakeholders to set targets for area wide emissions reduction
- to consider how to link area wide emissions reduction with the Net Zero Town project and Town Centre Visioning project, and other key Council strategies/policies/projects
- to ensure due consideration is given to climate justice and ensuring the transition to net-zero does not exacerbate poverty or inequalities.

127. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

Elected members and officers have worked with communities to identify priorities that respond to their needs and has provided opportunities for more local participation in decision making.

The Council's Covid-19 recovery and renewal plans support those most affected and address inequalities.

The Performance Management Framework supports the delivery of the Council Plan. The Council is on track to achieve most of its performance measures however household waste recycling continues to miss target.

128. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

129. Recovery from the pandemic requires councils to work alongside their local communities. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

130. Early and meaningful engagement and effective collaboration with communities should be a core part of determining a council's vision and priorities. This is essential both to identify and understand local needs, and to inform decisions that affect the planning and delivery of services.

Elected members and officers have worked with communities to identify priorities that respond to their needs

131. The Council is part of the **South Lanarkshire Community Planning Partnership (CPP)** and the **Community Planning Partnership Board (CPPB)** which has a key role in progressing Community Planning.

132. The CPPB's remit is to provide collective strategic leadership, direction, governance and oversight of partnership activity with local communities to support the delivery of its agreed vision and outcomes.

133. In June 2018, the Council's Executive Committee agreed to develop a new approach to community participation and empowerment. This included establishing a new Community Participation and Empowerment team, now called the Community Engagement Team. This team sits within the Communications and Strategy service within Finance and Corporate Resources. The team provides support to the CPPB as well as being the main interface for community engagement including neighbourhood planning. The CPPB also employs a Community Planning Development Officer who works within the Community Engagement Team.

134. In April 2019 the CPPB agreed to create a new **Lived Experience Fund** with the purpose to support partners and organisations in capturing lived experience of local residents to inform service delivery and help identify any policy issues and gaps in service provision.

135. At the CPPB meeting in March 2023 it was agreed each of the four Community Partnerships would be allocated £2,000 Lived Experience Funding in 2023/24 to help them gather local people's experiences to inform a better understanding of inequalities and local needs. The Community Engagement Team works with these organisations to support them in gathering feedback information and presenting it to the CPP Board.

136. The Council has demonstrated its commitment to tackling poverty and inequalities by establishing a cross-party Tackling Poverty working group in February 2019. This was an internal short life working group with the remit of taking a strategic overview of initiatives relating to poverty prevention and reduction and considering and agreeing a workplan.

137. There were a total of seven meetings where the group considered the contributions each resource department was making to address poverty, considered feedback from various groups involved in the lived experience consultation and the effects on poverty and examined the work of community planning partnership groups. The final meeting was held on 11 January 2022 and a final progress report went to the Executive Committee on 2 February 2022 with four recommendations:

- how the Council builds an understanding of the most effective approaches to tackling poverty
- how it uses information on impact and lived experience to determine the best solutions to address poverty related issues
- make use of the Fairer Scotland Duty to hold council services to account
- develop an action plan that would focus on how to co-ordinate the work and integrate it with the work of the Council and other partners.

138. In September 2020, the Council established an Equity cross-party working group. This was a short-life internal working group established to consider

equalities in recruitment and investigate and identify sources of inequity and to develop a consensus on how to address any inequity identified or referred to it. Following the May 2022 election, the work of the Equity group was absorbed by the Equal Opportunities Forum.

139. The CPP has also been committed to reducing inequalities and poverty and has a Children's Services thematic partnership that includes a commitment to tackling inequality, discrimination and poverty. The CPP is also undertaking research into lived experience in two communities to help tackle poverty as part of its Child Poverty Action Plan.

The Council has provided opportunities for more local participation in decision making

140. As part of the Council decision making structure there are four Area Committees. The Council has regularly adopted a Participatory Budgeting (PB) approach and routinely reports on PB exercises to elected members at each of the four Area Committees. During 2022/23 and 2023/24 PB reports included the;

- Pupil Equity Fund
- Estate Improvement Budget
- Environmental Programme within the Housing Investment Programme
- Footway improvements within the Roads Capital Programme

141. Elected Members on the four Area Committees will also be taking decisions on applications to a new Community Challenge Fund that was launched in August 2023. The fund is not available for communities that have access to the participatory budgeting process but is aimed at community organisations in other local areas. The aim of the fund is to address community needs identified through local consultation.

142. In the Finance and Corporate resource plan for 2023-24 **involving our communities** is one of the eight areas of focus for the year. The Community Engagement Team is responsible for one of the actions listed under the Resource Outcome - **'Individuals and communities in South Lanarkshire are engaged and able to participate in decision-making processes'**.

143. The Finance and Corporate resource action plan also refers to increasing activity around the Participatory Budgeting programme, and for more community led neighbourhood plans to be developed as well as new approaches to community involvement, specifically the community wish list and shaping places for wellbeing project.

The Council's Covid-19 recovery and renewal plans support those most affected and address inequalities

144. Following the pandemic the concept of community wealth building has gained momentum and received support from the Scottish Government and COSLA as a model for local economic development.

145. The Council's approach to Covid-recovery was embedded into the new Council Plan 2022-27 under the priority; Progress – we need to recover, progress and improve. Recovery from the pandemic is also embedded into the Community Plan, the Community Wealth Building strategy and the Economic Strategy 2022-2027.

146. The Council approved the Community Wealth Building (CWB) Strategy in March 2021 and subsequently the CWB Commission was set up to engage a wide range of partners and stakeholders in the CWB agenda. A community wealth building action plan for the delivery of the CWB strategy was first approved by the Community wealth building Commission in August 2021 with annual reports providing progress updates.

147. The Commission for South Lanarkshire includes the Council, NHS Lanarkshire, third sector representatives VASLan, the University of the West of Scotland and the Federation of Small Businesses. The Commission also includes representation from senior elected members, and community representation through the involvement of the CPP locality groups.

148. In August 2021, the Commission approved an action plan for delivery of the CWB strategy which contained a range of actions over a three-to-five-year timeframe, setting out how the aspirations of the strategy could be progressed for each of the five key areas of CWB:

- Spending
- Workforce
- Land and property
- Finance and building
- Generative economy.

149. The draft 2022/23 annual report was presented to the CWB commission in September 2023 for approval. This highlights the progress over the second year and provides examples of significant work under each of the five key areas:

- the Council co-hosted seven specific events with the Supplier Development Programme between June 2022 and January 2023 and a Meet the Real Buyer event in February 2023
- the Council developed an employability pipeline which creates opportunities for residents and local communities. Two Recruitment Fairs were held in August 2022 and February 2023 respectively

- during 2022/23, the Council delivered 176 new build council homes as part of its ongoing Affordable Housing Supply Programme
- The South Lanarkshire Credit Union Network has been re-established and regular meetings held to link credit union activity to CWB process
- A South Lanarkshire Social Enterprise Strategy 2023 to 2027 was developed in consultation with the social enterprise sector, wider partners and stakeholders. It was approved by the Executive Committee in June 2023.

150. The Accounts Commissions [Local Government in Scotland: Overview 2022](#) highlights that those experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly over the past two years. Initiatives such as CWB are recognised as being a good example of new ways in which councils can support local economic development and tackle poverty.

The Council is on track to achieve most of its performance measures however household waste recycling continues to miss target

151. The Council reviews its performance using a number of measures that are aligned to the priorities and outcomes set out in the Council Plan. A total of 234 measures were identified within Resource Plans for 2022/2023. Of those 66 are linked to the achievement of the Connect Outcomes detailed in the Council Plan. The measures are detailed within the individual Resource Plans and bi-annual progress reports are publicly reported on the performance pages of the Council's website.

152. In addition, the Connect 2022-27 Quarter 4 Progress Report 2022/2023 was reported to the Performance and Review Scrutiny Forum on 8 August 2023. The progress reports include a summary of performance against measures for each of the Council's Connect Plan objectives, along with details of the main achievements for that objective.

153. The Connect quarter four progress report for 2022/23 reports that of the Council's 66 strategic performance measures, eight projects had been completed (12 per cent); 45 projects, the timescale or target had been met (68 per cent); eight projects where there was minor slippage in timescale or target (12 per cent) and three where the information was not yet available and would be reported at a later date (five per cent). Of the remaining measures, two experienced significant issues (three per cent). These were:

- **The percentage of total household waste that was recycled:** The target was 50%. The actual achieved was 41.2 per cent (41.5 per cent in 2021/22). The majority of the material at flatted properties tends to be too badly contaminated to recycle and therefore is landfilled as residual waste. The service has recruited additional Waste Education Officers to rollout a new service change for flatted properties to improve the recycling rates.
- **Percentage of our road network that should be considered for maintenance treatment** This figure is derived from the Society of Chief

Officers of Transportation in Scotland (SCOTS) Road Condition Index (RCI) survey. The survey has now been completed and the overall RCI is 30.8 per cent for the period 2021-2023. Officers report that: *This falls short of the target of 29.7 per cent and is a depreciation of 1.1 per cent in the overall condition of the road network. Individual road categories are generally also showing a concerning regression in condition.*

154. Performance management and reporting is well established within the Council. This provides members the opportunity to scrutinise the Council's performance against its strategic objectives. Despite the ongoing service pressures the Council has achieved or is on track to achieve most of its performance measures as set out in its Connect Plan.

The Council's overall performance per national benchmarking has declined slightly compared to its prior year results but has improved compared with the Scottish average

155. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. The Council notes that the use of the LGBF allows it to self-assess its performance across years, and to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

156. The most recent [National Benchmarking Overview Report 2021-22](#) (improvementservice.org.uk) by the Improvement Service was submitted to the Council's Performance and Review Scrutiny Forum in March 2023 along with a Council specific action plan. When comparing the indicator's reported, the Council's overall performance has declined with its own prior year performance. Details of the Council's trend over the past four years against these performance indicators can be seen at [exhibit 10](#).

157. Across the 99 indicators in 2021/22, the Council's performance has improved against 35 (35 per cent) and declined against 39 (40 per cent). In terms of the Council's figures relative to the Scottish average, performance was better than Scottish average for 41 (42 per cent) indicators. This is an increase on the prior year results of 39 per cent.

Exhibit 10

South Lanarkshire Council analysis of LGBF results

	Number of indicators (%) 2018/19	Number of indicators (%) 2019/20	Number of indicators (%) 2020/21	Number of indicators (%) 2021/22
Performance				
Improving performance	34 (38%)	35 (39%)	36 (38%)	35 (35%)
Declining performance	34 (38%)	45 (49%)	36 (38%)	39 (40%)

No change in performance	3 (3%)	1 (1%)	2 (2%)	3 (3%)
Information not available	18 (21%)	10 (11%)	21 (22%)	22 (22%)
Comparison with Scottish Average				
Better than Scottish average	44 (49%)	42 (46%)	37 (39%)	41 (42%)
Worse than Scottish average	28 (32%)	39 (43%)	37 (39%)	34 (34%)
Same as Scottish average	3 (3%)	0 (0%)	0 (0%)	2 (2%)
Information not available	14 (16%)	10 (11%)	21 (22%)	22 (22%)

Source: Performance and Review Scrutiny Forum June 2023 and LGBF 2021/22

158. The Council has an improvement action plan for all the indicators, including those reported as being below the Scottish average. The Council also undertakes family group analysis, which focuses on those indicators performing worse than the Scottish average. This aims to group councils into a “family group” of councils with similar levels of deprivation and urban profiles, providing better context to the results.

159. In addition to the annual reporting on LGBF performance, the Council engaged with the Improvement Service in 2021/22 to look at how it uses and reports on the Local Government Benchmarking Framework (LGBF). This aimed to produce a suite of refined indicators that the Council could use to better reflect its priorities and allow for scrutiny on its identified improvement areas.

160. Of the 95 LGBF indicators, 33 have been identified as aligning with the outcomes of the Council's Connect Plan. These are now embedded within the Connect Plan's reporting to focus attention on how well the Council is performing in achieving its strategic outcomes.

Service performance is reported in line with the expectations of the statutory performance indicators (SPIs)

161. The Accounts Commission issued a new [Statutory Performance Information Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing

on Local Government Benchmarking Framework and/or other benchmarking activities)

- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

162. Our work in 2022/23 has confirmed that the Council's performance reporting arrangements were satisfactory. The Council's website covers all the requirements set out in the SPI direction issued by the Accounts Commission. The Council continues to improve its public reporting of performance information through clear alignment of performance information with its key strategic outcomes. Alongside overarching and service level performance report the Council publishes Annual Performance Spotlights, 'bite-sized' performance information, per Connect Outcome.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
1. Capital programme At the June 2023 Executive Committee, the general services outturn capital programme spend was reported as £65.736 million for 2022/23, against original budget representing a slippage of 20 per cent. The housing capital programme outturn was reported as £60.695 million for 2022/23, against the revised budget of £66.361 million. This represents slippage of nine per cent against the revised budget Risk – Delayed investment can lead to inefficiencies in the existing estate with adverse impact on service delivery.	The Council should review the underlying reasons for recurring slippage within the capital programmes to identify opportunities to review project management and budget setting procedures in place. Paragraph 49	Management Response: The Council has reviewed the reasons for slippage in year and we report movements to members on a monthly basis. We are satisfied that there has been no significant risk realised from this slippage, however, we will work with the officers delivering projects to set realistic budgets for capital expenditure. Responsible officer: Head of Finance Agreed date: 31 March 2024
2. Asset valuation The Council adopt a five year rolling programme for the valuation of other land and buildings. The valuation of these assets for 2022/23 has taken place as at 1 April 2022. Although the Council were able to provide the required information and supporting documentation to support	The Council should consider their approach to the valuation of land and buildings to ensure this is appropriate to assess whether asset values have moved materially in year and as at 31 March. The valuer should also issue a formal year end valuation report to provide the required management assurances enabling greater oversight and	Management Response: The Council's valuation team will produce a formal year end valuation report. The council has assessed in 2022/23 that the asset values have not materially moved in year and will continue to consider valuation dates. Responsible officer:

Issue/risk	Recommendation	Agreed management action/timing
the valuations undertaken during the year, the valuer does not produce a formal year end valuation report.	scrutiny by management of the suitability of the key assumptions and approach adopted by the valuer. Paragraph 53	Head of Property / Head of Finance Agreed date: 31 March 2024
3. Payroll reconciliations The Council's internal guidance requires that all payroll must be reconciled at least once a month. Payroll reconciliations were not carried out on a regular basis during 2022/23.	The Council should ensure payroll reconciliations are undertaken in line with internal guidance. Paragraph 61	Management Response: The payroll reconciliations are up to date for 2023/24 Responsible officer: Head of Finance Agreed date: October 2023
4. Transformational change he Council should continue to identify where it can progress transformational change in how its services are delivered. This should identify where recurring savings, rather than temporary solutions, can be made together with proposals to reduce costs.	The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces. Paragraph 77	Management Response: The Council has a programme of reviews that have and will continue to contribute towards, addressing financial pressures. Responsible officer: Executive Director, Finance and Corporate Resources Agreed date: Ongoing
5. Financial resilience Given the scale of the challenges there is an opportunity to enhance its focus on financial resilience, including greater emphasis on its reserves position; clear financial resilience indicators and measures; and alignment to risks ensuring there is a clear financial strategy to support a resilient council.	Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. The Council should also enhance the level of monitoring around financial resilience indicators and risks.	Management Response: Through consideration of level of reserves, specific resilience indicators , and financial planning and management, we already understand and mitigate as much as we can against unforeseen costs and pressures. We will look to further develop the Council's approach to monitoring and reporting on resilience.

Issue/risk	Recommendation	Agreed management action/timing
	Paragraph 81	Responsible officer: Head of Finance Agreed date: 31 March 2024

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
1. Fairer Scotland Assessment The Fairer Scotland Duty came into force from 1 April 2018. It places a legal responsibility on local authorities to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. Risk – There is a risk that the Council is not fully complying with the Fairer Scotland Duty.	The Council should continue its work to embed its Fairer Scotland duties by completing and referencing Fairer Scotland assessments in council papers, strategies and plans. It should also check all assessments are listed online.	Management Response: We will continue to embed Fairer Scotland duties, and remind all officers on the Council's Fairer Scotland Duties and the use of Fairer Scotland Assessments by reissuing the guidance and arranging further training as appropriate. We will ensure that reference to Fairer Scotland assessments are made in committee reports (where carried out). All Fairer Scotland Assessments will be posted online. Responsible Officer: Head of Administration and Legal Services Date: 31 December 2023
2. Ongoing support for Elected Members In May 2022, the Council put in place a comprehensive induction programme. Committee members feel overwhelmed by the volume, complexity and technical nature of some committee papers. Risk – There is a risk that the current suite of training is not	Officers should continue to engage with elected members to support their training and development requirements, including specific training to build confidence and allow scrutiny.	Management Response: The programme of engagement with members on training requirements will continue. The annual needs assessments will be carried out to inform ongoing training plans. Responsible Officer: Head of Personnel

Issue/risk	Recommendation	Agreed management action/timing
tailored to the individual needs of Elected members.		Date: 31 March 2024

Follow-up of prior year recommendations 2021/22

Issue/risk	Recommendation	Agreed management action/timing
1. Accounting for non-current assets We identified a significant error in the processing of council dwellings revaluations. Risk: If the accounting for non-current assets is not improved future accounts could be materially misstated.	There should be second officer checks of significant non-current asset accounting entries. This will help to verify the accuracy of the asset figures in the 2022/23 annual accounts prior to these being submitted to audit. Paragraph 44	Action Second officer checks on non-current asset accounting will be implemented with immediate effect. Responsible officer Head of Property Services Agreed date 30 September 2022 Complete
2. Long-term financial pressures The council's 2022/23 budget is balanced. However, the council has identified £100.192 million of required savings between 2023/24 to 2027/28. Risk: The longer-term financial pressures of the council are not addressed.	The council should identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces. Paragraph 126	Action The council has an ongoing programme of Transformational reviews which consider service delivery models, with a view to identifying efficiency savings. These will continue to feed into future budget strategies Responsible officer Executive Director Finance and Corporate Resources Agreed date Ongoing see point 2 above

2021/22 charities recommendation

Issue/risk	Recommendation	Agreed management action/timing
1. Dormant trust The East Kilbride Information Technology Centre Trust has been dormant for several years. Risk: Funds are lying dormant and do not provide public benefit.	The trustees of the East Kilbride Information Technology Centre Trust should consider the future of the trust and decide how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up if it is no longer being used for its intended purpose. Paragraph 32	Action A decision will be taken by trustees regarding the future of the Trust at a meeting on 3 October 2022. Responsible officer Head of Personnel Agreed date 3 October 2022 Complete

Appendix 2. Summary of corrected misstatements

We report all corrected and uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises misstatements that were corrected in the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Single Entity		£000	£000	£000	£000
Transaction incorrectly treated as a payable instead of a receivable.	Payables				2,146
	Receivables			2,146	
Job Evaluation Scheme	Expenditure	10,500			
	Payables				10,500
Group accounts					
Job Evaluation Scheme – IJB impact	Group – reserves			3,750	
	Group – net assets				3,750
South Lanarkshire Leisure and Culture – pension cap adjustment	Group – income	62,733			
	Group – pension asset				62,733
Strathclyde Partnership for Transport – asset adjustment	Group – expenditure	747			
	Group – PPE				747

South Lanarkshire Council

Proposed 2022/23 Annual Audit Report

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