

South Lanarkshire Council

Proposed 2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of South Lanarkshire Council and the Controller of Audit
October 2022

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Key messages

2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and the three section 106 charities administered by the council are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 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 A significant error has been identified in the accounting for non-current assets. While the error has now been corrected, procedures need to be improved to ensure the accuracy of the non-current asset figures in the 2022/23 annual accounts, before they are approved for audit.

Financial management

- 4 Financial management is effective. The Covid-19 pandemic continues to have a significant impact on the council's finances. This has been reported to elected members to ensure they are kept up to date with the impact on budgets.
- 5 Costs relating to the Covid-19 pandemic totalled £36.880 million in 2021/22. The council received £60.736 million of direct non-recurring funding, and administered £39.284 million of agency income, provided by the Scottish Government in 2021/22. At 31 March 2022, £23.856 million of Covid-19 funding was unspent, contributing to the overall budget underspend of £66.074 million.

Financial sustainability

- 6 The council approved a balanced budget for 2022/23. The council will face continued financial pressures in 2023/24.
- 7 Transformational change aligned with effective medium and longer-term planning is required to address the impacts of the Covid-19 pandemic together with growing inequalities, cost-of-living pressures, and the changing needs of citizens. Lessons learned from delivering services differently during the pandemic should be considered as part of these changes.

- 8** The local government pay settlement will add to the future pressures on the council's budgets.
- 9** Collaborative leadership amongst elected members will be important when making difficult decisions, to support the council's recovery from the pandemic and improve outcomes for its citizens.

Governance and transparency

- 10** Following the May 2022 local government elections, the council has a new administration. An effective training programme is in place to support new and returning elected members.
- 11** Effective governance and decision-making arrangements were in place during 2021/22. The council conducts itself in an open and transparent manner.

Best Value

- 12** The council has taken steps to action all the recommendations from its 2019 Best Value Assurance Report.
- 13** The council's new Connect Plan sets out clearly its vision and priorities and this is aligned with its new Community Plan. The priorities focus on people, progress, and planet. The plan has been developed from residents' feedback, identifying their aspirations and needs.
- 14** The council recognises its role in tackling the climate emergency, with sustainability embedded in its strategic priorities.
- 15** Despite the pandemic impacting on service performance in some areas, the council has achieved or is on track to achieve most of its performance measures set out in its Connect Plan.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of South Lanarkshire Council (the council) and its group.

2. The scope of the audit was set out in our [2021/22 Annual Audit Plan](#) presented to the June 2022 meeting of the Risk and Audit Scrutiny Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.

Responsibilities and reporting

3. 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.

4. 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.

5. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

6. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability
- the effectiveness of the council's performance management arrangements and
- Best Value arrangements.

7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

8. This report raises matters from our audit. 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 from its responsibility to address the issues we raise and to maintain adequate systems of control.

9. Our Annual Audit Report contains an agreed action plan at [appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Communication of fraud or suspected fraud

10. In line with ISA 240, in presenting this report to the Risk and Audit Scrutiny Committee (RASC) we seek confirmation from those charged with governance of any instances of actual, suspected, or alleged fraud that should be brought to our attention. Should members of the RASC have any such knowledge or concerns relating to the risk of fraud within the council, we invite them to communicate this to the appointed auditor for consideration.

Adding value through the audit

11. In addition to our primary responsibility of reporting on the annual accounts we seek to add value to the council by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we aim to help the organisation promote improved standards of governance, better management and decision making, and more effective use of resources.

Appointment of external auditors 2022/23 to 2026/27

12. In March 2022, Audit Scotland wrote to the council noting that its external auditor would remain Audit Scotland for the period 2022/23 to 2026/27. A new audit team will carry out the audit and we will work closely with them to ensure a well-managed transition.

New Code of Audit Practice

13. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

14. The Code outlines the objectives and principles to be followed by all auditors. The audit of financial statements is covered by auditing standards, so the Code focuses more on the wider dimension objectives and responsibilities of public sector auditors. It is a condition of their appointment by the Auditor General for Scotland or the Accounts Commission that they follow it.

Auditor Independence

15. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the annual accounts auditors must comply with professional standards

issued by the Financial Reporting Council and those of the professional accountancy bodies.

- 16.** 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 2021/22 audit fee of £521,060 as set out in our annual audit plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
- 17.** This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
- 18.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the council, its group and the three section 106 charities administered by the council are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

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.

A significant error has been identified in the accounting for non-current assets. While the error has now been corrected, procedures need to be improved to ensure the accuracy of the non-current asset figures in the 2022/23 annual accounts, before they are approved for audit.

Our audit opinions on the annual accounts of the council and its group are unmodified

19. The annual accounts for the council and its group for the year ended 31 March 2022 are to be approved by the Risk and Audit Scrutiny Committee on 25 October 2022. As reported in the independent auditor's report:

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

20. We concluded that there were no matters upon which we are required to report, by exception, to the Accounts Commission.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

21. As a result of the continuing impact of Covid-19, Audit Scotland set the submission deadlines for Local Government audited annual accounts and Annual Audit Reports at 31 October 2022.

22. We received the unaudited annual accounts on 29 June 2022 in line with the agreed audit timetable. The annual accounts submitted for audit were of a high standard as were supporting working papers. Finance staff provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

23. The annual accounts were signed off in line with the revised timetable permitted to reflect the impact of Covid-19.

Our audit opinions on the annual accounts of the three section 106 charities administered by the council are unmodified

24. Elected members are trustees for 58 trusts administered by the council. Each trust has been included in one of three registered Scottish charities:

- South Lanarkshire Council Charitable Trusts: charity number - SC025089
- South Lanarkshire Council Educational Trusts: charity number - SC028135
- East Kilbride Information Technology Centre Trust: charity number - SC015221

25. The trust balances are disclosed in a note in the council's annual accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

26. As a result of the interaction of the Local Government (Scotland) Act 1973 with charities legislation, a full and separate audit and independent auditor's report is required for each registered charity irrespective of the value of its assets.

27. Our duties as auditors of the charities administered by South Lanarkshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters, by exception, to the trustees and to the Office of the Scottish Charity Regulator (OSCR).

28. We have given an unqualified opinion on the annual accounts of the three charities administered by the council.

29. Under International Standard on Auditing (UK) 260 we have one significant finding from our audit of the East Kilbride Information Technology Centre Trust to communicate to “those charged with governance”.

30. We are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes reporting any inappropriate use of funds or prolonged lack of activity known as - the public benefit charity test.

31. A charity is not failing the public benefit charity test if it is not providing benefit in any particular year. However, if no benefit is being delivered for an extended period, then the charity could be considered dormant.

32. There has been no charitable activity within the East Kilbride Information Technology Centre Trust for several years. If a dormant charity has no clear plans to rectify that, it may be appropriate for us as external auditors to report this to the OSCR. Management have advised that a proposal will be presented to trustees in September 2022. This aims to use the Trust’s funds to address digital exclusion of young unemployed people in the East Kilbride area. The new auditor will monitor the progress of this proposal as part of their 2022/23 audit.

Charities recommendation 1

The trustees of the East Kilbride Information Technology Centre Trust should consider how funds should be used in future to actively achieve its charitable objective. This could include taking steps to make its existence more widely known and make applications more accessible.

33. A proposal to modernise the operation of the South Lanarkshire Council Charitable and South Lanarkshire Council Educational Trusts was approved by the Finance and Corporate Resources Committee in April 2018. In December 2019, OSCR approved the modernisation schemes. This has resulted in two charities being established:

- The South Lanarkshire Charitable Trust: charity number- SC049819
- The South Lanarkshire Educational Trust: charity number- SC049823

34. The above charities are subject to a separate audit with findings of these reported to each charities respective Board of Trustees.

35. Applications are with OCSR for the transfer of funds from the South Lanarkshire Council Charitable Trust and South Lanarkshire Council Educational Trust to the two new charities noted above. In 2021/22 OSCR approved the transfer of funds totalling £0.045 million from the South

Lanarkshire Council Charitable Trusts to the new South Lanarkshire Charitable Trust.

There were no objections raised to the annual accounts

36. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. There were no objections to the 2021/22 annual accounts.

Our audit testing reflected the calculated materiality levels

37. Materiality can be defined as the maximum amount by which auditors believe the annual accounts could be misstated and still not be expected to affect the perceptions and decisions of users of the annual accounts. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

38. Our initial assessment of materiality for the annual accounts is undertaken during the planning phase of the audit. On receipt of the unaudited annual accounts, we reviewed our original materiality calculations and concluded that they remained appropriate. Our materiality levels are set out at [exhibit 1](#).

Exhibit 1

Materiality levels

Materiality levels	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022.	£14.800 million	£14.960 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we calculated performance materiality at 50% of planning materiality.	£7.400 million	£7.480 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been set at 1% of planning materiality.	£0.150 million	£0.150 million

Source: Audit Scotland

Our audit identified and addressed the significant risks of material misstatement together with the other areas of audit focus reported in our 2021/22 Annual Audit Plan

39. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit, we identified two significant risks of material misstatement which could impact on the annual accounts. [Exhibit 2](#) sets out these risks together with the work we undertook to address them and our conclusions from this work.

Exhibit 2

Significant risks of material misstatement reported in the 2021/22 Annual Audit Plan

Description of risk	Audit response to risk	Results and conclusion
<p>1. Risk of management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Assess the design and implementation of controls over journal entry processing.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Evaluate significant transactions outside the normal course of business.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	<p>Results: We assessed the design and implementation of controls over journal entry processing. No significant issues were noted.</p> <p>Management did not identify any inappropriate or unusual activity with journals or other adjustments.</p> <p>Journal adjustments were tested, and no indications of management override of controls were found.</p> <p>We reviewed transactions during the year - no issues were highlighted of significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>Conclusion: There was no evidence of management override of controls from the work performed.</p>

<p>2. Significant estimation and judgment: other land and buildings revaluations</p> <p>The council held other land and buildings, including its council dwellings, with a net book value of more than £3.0 billion as at 31 March 2021.</p> <p>Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>Risk: Valuations of these assets are materially misstated.</p>	<p>Review the information provided to the valuer to assess for completeness.</p> <p>Evaluate the competence, capabilities, and objectivity of the professional valuer.</p> <p>Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically evaluate the approach the council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Test the reconciliation between the financial ledger and the asset register.</p> <p>Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings and council dwellings.</p>	<p>Results: We did not identify any issues with the information provided to the valuer.</p> <p>Our review of the council's valuation team's work confirmed the appropriateness of the methodology and assumptions used. We did not identify any non-compliance with RICS guidance.</p> <p>We found that management have an appropriate level of involvement and oversight of the valuation process.</p> <p>We concluded that management's assessment that land and buildings not revalued in 2021/22 are not materially misstated, to be reasonable, and found assumptions made to be appropriate.</p> <p>We did not identify any issues with the reconciliation between the financial ledger and the property asset register.</p> <p>We found that appropriate disclosures have been made regarding the assumptions in relation to the valuation of land and buildings.</p> <p>Conclusion: No issues were identified with the assumptions applied to the revaluations.</p>
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40. Our 2021/22 Annual Audit Plan also noted other risks of material misstatement to the annual accounts. Based on our assessment of the likelihood and magnitude of the risk, we did not consider that these represented a significant risk. The other areas of audit focus were:

- The estimation and judgement involved in accounting for the pension liability
- The accounting for non-current assets

41. We kept these areas under review throughout our audit. Other than the issue noted in [exhibit 3](#) below, there are no significant matters which we need to bring to your attention.

The council has taken steps to address previous audit recommendations relating to its accounting for non-current assets, but further improvement is needed

42. Over the course of our audit appointment, we identified a number of errors in the accounting for non-current assets. While the errors identified were corrected in the accounts, our report last year recommended that the council reviewed its procedures for accounting for non-current assets.

43. During 2021/22, an Asset Valuation Working Group was established, comprising of members of staff from Finance Strategy and Property Services. The group met four times over the course of the year to discuss and review capital transactions, including the capital programmes, acquisitions, revaluations, and transfers between resources.

44. In 2021/22 there has been a reduction in the number of non-current asset accounting issues. However, as reported in [exhibit 3](#), we have identified a significant error in the processing of council dwellings revaluations.

Recommendation 1

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.

Identified misstatements of £128.635 million were adjusted for in the annual accounts

45. We identified misstatements, including misclassifications, with a gross value of £128.635 million in the unaudited annual accounts. As the total was above our performance materiality level, we considered the need to revise our audit approach.

46. Management have now adjusted the annual accounts to correct all the misstatements. These adjustments have contributed to the total comprehensive net income increasing by £123.016 million, with a corresponding increase in

total reserves. Further details of these adjustments are included in [exhibit 3](#) and [paragraph 51](#).

We have one significant finding to report on the annual accounts

47. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to “those charged with governance”.

48. Our significant finding is summarised at [exhibit 3](#).

49. The qualitative aspects of the council’s accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate to the council.

50. In addition to the issue set out below, and in accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

Exhibit 3

Significant finding from the audit of the annual accounts

Issue	Resolution
<p>1. Valuation of council dwellings</p> <p>As at 31 March 2022 council dwellings with a net book value of £1.491 billion were held by the council.</p> <p>As part of our audit testing, we identified an error in the 2021/22 calculation of the council dwellings revaluation.</p> <p>There was an error in the working paper provided by Property Services to Finance Strategy. The workings did not include the 2021/22 increase in the council dwellings valuation. This error was not identified prior to processing the accounting entries.</p> <p>This resulted in the valuation being understated by £123.016 million.</p>	<p>Management have made the necessary adjustments to the annual accounts. The has increased the net book value of council dwellings by £123.016 million.</p> <p>Given the material nature of the error, we considered the need to amend our audit approach. We were satisfied that the total error had been identified and no further audit testing was required.</p> <p>To ensure that similar issues do not arise in the future, we recommend that second officer checks on significant non-current asset accounting entries are performed to confirm their accuracy.</p> <p>Appendix 1 – recommendation 1</p>

Other matters identified from our work on the annual accounts

51. In addition to our finding in [exhibit 3](#) above, the following adjustments to the annual accounts were identified:

- **Accounting treatment of Covid-19 funding:** Management identified an error with the processing of an agency payment amounting to £1.730 million. This had incorrectly been added to both income and expenditure in error, rather than deducted. As such, income and expenditure within the Comprehensive Income and Expenditure Statement were overstated by £3.460 million. This error did not have any net impact on the annual accounts.
- **Asset misclassification:** An asset with a net book value of £2.159 million was reclassified to a surplus asset in the 2021/22 annual accounts. From our review, and through discussions with management, it was established that the asset was still operational as at 31 March 2022. Management agreed to move this asset back to operational other land and buildings in the audited annual accounts. This classification issue had no net impact on the Balance Sheet. [Appendix 1 – recommendation 1](#)

52. Management have made the appropriate adjustments for the above.

53. Prior to commencing our financial statements audit, management advised us of an error that they identified with the prior year's accounts. This was corrected with a prior year restatement in this year's accounts totalling £63.379 million. This restatement was needed to correct an error in how the software was accounting for non-current asset revaluation losses. This issue was identified by management during an upgrade to the asset system in 2021/22. It was noted that a number of assets had revaluation losses written off in error. These losses had already been written off on a prior revaluation. This resulted in the revaluation reserve being understated by £63.379 million, and the capital adjustment account being overstated by the same amount.

54. Management investigated the software error in full by reviewing the original losses and subsequent revaluations to identify those assets which had losses written off in error. We reviewed and undertook re-calculations on managements workings. We are satisfied that the appropriate restatement of 2021/22 opening balances has been made.

55. There was no impact on the council's usable reserves from this error or the correcting adjustment. The movement was between the revaluation reserve and capital adjustment account within the council's unusable reserves.

The council applied the statutory override for the accounting for infrastructure assets included in its property plant and equipment assets

56. The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Where a component of an asset is replaced, the carrying amount (i.e., net book value) of

the old component shall be derecognised to avoid double counting and the new component shall be reflected in the carrying amount of the infrastructure asset.

57. Due to practical difficulties in applying component accounting for the recognition and derecognition of replaced components of infrastructure assets, in large part due to data limitations, the Scottish Government approved a [Statutory Override - Accounting for Infrastructure Assets](#) that is applicable to 31 March 2024. The statutory override is formed of two parts:

- **Statutory Override 1:** For accounting periods commencing from 1 April 2021 until 31 March 2024 a local authority is not required to report the gross cost and accumulated depreciation for infrastructure assets.
- **Statutory Override 2:** For accounting periods commencing from 1 April 2010 until 31 March 2024 the carrying amount to be derecognised in respect of a replaced part of an infrastructure asset is to be taken to be and accounted for as a nil amount. No subsequent adjustment shall be made to the carrying amount of the asset with respect to that part.

58. Where a local authority chooses to adopt either or both statutory overrides, this should be disclosed within the relevant note to the annual accounts.

59. South Lanarkshire Council applied both parts of the statutory override in its 2021/22 annual accounts. As part of our audit, we reviewed the infrastructure assets disclosures and the related notes, including the relevant disclosure in the accounting policies. We are satisfied that these disclosures reflect the statutory override and adequately explain the approach adopted to the readers of the annual accounts.

The council's 2021/22 management commentary provides a fair and balanced picture of its performance and operational activity for the year

60. Management commentaries included in the annual accounts should provide information on the council, its main objectives and the principal risks faced. It should provide a fair, balanced, and understandable analysis of a council's performance as well as helping stakeholders understand the financial statements.

61. The council's management commentary that accompanies the annual accounts explains how the council has performed against its budget and how this is reconciled to the financial statements. The impact of Covid-19 on the 2021/22 outturn and reserves position was clearly disclosed. The council has also included a good level of disclosure on the principal risks it is facing going forward. This includes details on how the pandemic will continue to be an area of focus for the foreseeable future, given its impact on all aspects of the council's operations.

62. In our view, the 2021/22 disclosure represents a fair and balanced commentary on the council's performance in 2021/22 and is transparent on the risks it faces in the coming year. This is presented in a user-friendly format which makes good use of relevant infographics that help tell the story of the

council's performance in 2021/22 and provide a clear link to the figures in the financial statements. We welcome the gradual improvements in the structure and content of the council's management commentary seen over the course of our audit appointment.

The annual governance statement provides a good level of disclosure on the council's governance arrangements during 2021/22

63. The council has a Local Code of Corporate Governance, and this is reviewed and updated annually. The local code follows the principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016. The council's annual governance statement complies with this guidance and continues to represent good practice.

64. The statement presents a good explanation and assessment of the council's governance arrangements for the year under review. There is extensive disclosure detailing how each of the principles within the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016 have been addressed. The impact that Covid-19 on its governance arrangements in 2021/22 has also been detailed.

65. The statement includes disclosure on the council's level of compliance with the CIPFA Financial Management Code (the FM Code). The FM Code from CIPFA applies from 2021/22 and is designed to support good practice in financial management, with compliance against the principles helping local authorities demonstrate financial sustainability. The council undertook a self-assessment against the FM Code during the shadow implementation year, 2020/21. This review identified that the council had fully embedded 14 of 17 criteria as part of its normal business by the end of this shadow implementation year. The governance statement discloses the following actions to address the three remaining criteria:

- a detailed financial resilience assessment will be carried out and included in a future budget strategy paper to be presented in 2022.
- alongside the usual consultation process, key stakeholders will be included in the development of medium and long-term financial plans.
- the council's Options Appraisal guidance and template will continue to be embedded across the council to help it demonstrate value for money in decision-making.

66. CIPFA's expectation is that authorities will have to comply with all the financial management standards if they are to demonstrate compliance with the FM Code. However, the FM Code is not prescriptive about how this is achieved. We recognise the council's progress in complying with the principles and welcome its commitment to achieving the outstanding criteria.

The audited part of the remuneration report was consistent with the annual accounts and has been prepared in accordance with applicable regulations

67. The Local Authority Accounts (Scotland) Regulations 2014 requires the council to include a remuneration report within its annual accounts that includes details of:

- the remuneration of relevant persons, including pension entitlements, for the financial year (and prior year comparator); and accrued pension benefits figures at 31 March of that year, and
- information on pay bands and the number and cost of exit packages approved during the financial year.

68. We have no issues to report in relation to the information included within the remuneration report in the council's 2021/22 annual accounts.

Our audit work addressed the wider dimension risk identified in our 2021/22 Annual Audit Plan

69. The [Code of Audit Practice 2016](#) requires auditors to consider the wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency and value for money). Within our 2021/22 Annual Audit Plan, under this responsibility, we identified one wider dimension risk in relation to:

- Financial sustainability

70. [Appendix 2](#) summarises the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed. Further details of our work in relation to the audit dimensions is included in sections 2 to 5 of this report.

Progress was made on prior year recommendations but the accounting for non-current assets still needs to improve

71. We followed up on actions agreed in our [2020/21 Annual Audit Report](#), to assess what progress on implementation had been made. Details of the follow up are included in [appendix 1](#).

2. Financial management

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Main judgements

Financial management is effective. The Covid-19 pandemic continues to have a significant impact on the council's finances. This has been reported to elected members to ensure they are kept up to date with the impact on budgets.

Costs relating to the Covid-19 pandemic totalled £36.880 million in 2021/22. The council received £60.736 million of direct non-recurring funding, and administered £39.284 million of agency income, provided by the Scottish Government in 2021/22. At 31 March 2022, £23.856 million of Covid-19 funding was unspent, contributing to the overall budget underspend of £66.074 million.

The pandemic significantly impacted on many aspects of council's finances in 2021/22, with £23.856 million of unspent Covid-19 funding contributing to the overall budget underspend of £66.074 million

72. Over the course of our audit appointment, we have consistently reported on the council's sound financial management. It has a well-established budget process in place and a history of delivering services within budget.

73. The council approved its 2021/22 revenue budget of £751.793 million (£795.527 million net of specific grants of £43.734 million) in February 2021. The council had moved on from the immediate emergency response of year one of the pandemic, but at the time of setting its 2021/22 budget it had to continue to respond to Covid-19. This included managing pandemic restrictions and providing support to its community, while also recovering services and planning its recovery and renewal in a complex and uncertain environment. To support councils in this, the Scottish Government provided further in year funding. The response, and funding in support of this, have had an impact on the council's 2021/22 budget, with this reflected in the budget movement across the year.

74. At the February 2022 meeting of the Executive Committee, the probable outturn for 2021/22 was reported as being an underspend of £54.430 million before taking account of the transfers to reserves of £49.636 million. These transfers to reserves included transfers relating to the Pupil Equity Fund (£3.500 million), underspends against non-specific Covid-19 funding (£15.600 million),

Covid-19 specific funding for education recovery (£3.011 million) and the loans fund payment rescheduling review (£13.550 million). Members agreed that the remaining underspend of £4.794 million would be transferred to reserves to meet the cost of Covid-19 recovery moving forward.

75. In its 2021/22 annual accounts, the council reported an actual underspend of £66.074 million, prior to any transfers to reserves, against its revised revenue budget for 2021/22 of £851.666 million. The main movements, between the probable outturn reported in February to the position reported in the annual accounts, relate to lower than anticipated expenditure on Covid-19 costs. This resulted in a further increase in the Covid-19 underspend of £5.234 million. There was also an underspend of £2.051 million reported on core funding from the council to the South Lanarkshire Integration Joint Board. This was in part attributable to underspends with the external care at home provision, arising from staff capacity, recruitment, and retention issues, together with underspends in residential respite. The use of the respite service had not returned to pre-pandemic levels due to self-isolation rules around Covid-19. The £2.051 million will be held in the council's reserves and utilised to manage pressures within Children and Family Services.

76. The budget evolved during the year as additional funding was released, which included additional Covid-19 funding. The 2021/22 costs of Covid-19 recovery have primarily been managed with funding (£26.185 million) from reserves carried forward from 2020/21. This means that elements of the new funding received in 2021/22 have again been carried forward to meet the costs of recovery in 2022/23. A total of £23.856 million in relation to Covid-19 was transferred to reserves at the year-end. The reserves position is discussed further at [paragraphs 127 to 131](#) of this report.

77. These budget revisions, and transfers, resulted in an actual outturn underspend of £6.109 million. As part of the final outturn review, in June 2022 the Executive Committee approved the transfer of this underspend to reserves. These funds are to be used in the 2023/24 revenue budget strategy.

78. 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, as well as details on the costs of Covid-19 and the funding received in support of this.

Costs relating to the Covid-19 pandemic totalled £36.880 million in 2021/22

79. The 2021/22 financial year was the second full year of the pandemic. The council continued to incur various costs because of this. These included the costs of recovering from the various stages of lockdown and the loss of income from services being closed or suspended. [Exhibit 4](#) highlights the cost of Covid-19 to South Lanarkshire Council in 2021/22. These costs were met from Covid-19 funding carried forward from 2020/21, together with further funding received in year.

Exhibit 4

Summary of significant Covid-19 costs

Area	£'million	Further comment
Additional resource spend	£32.596	Includes costs related to education recovery, PPE, and IT equipment. The council was also responsible for making payments to assist families during lockdown, including free school meals and winter clothing payments.
Lost income	£3.625	Lockdown impacted on income generating services such as planning applications and parking.
Unspent budget	(£0.541)	Primarily relates to the reduced need for food purchases, including breakfast and holiday lunch clubs.
Capital spend	£1.200	Revenue funding used to cover Covid-19 capital costs.
Total Covid-19 expenditure	£36.880	

Source: South Lanarkshire Council 2021/22 annual accounts and Revenue Budget Outturn 2021/22 report

The council received £60.736 million of direct non-recurring funding, and administered £39.284 million of agency income, provided by the Scottish Government, to alleviate the impact of the pandemic on individuals, businesses, and the economy

80. The impact on public finances of the Covid-19 pandemic has continued into 2021/22. This has necessitated ongoing support from the Scottish and UK governments for public services as well as support for individuals, businesses, and the economy. South Lanarkshire Council received £60.736 million in Covid-19 related funding in 2021/22 (£68.190 million in 2020/21). This was used to offset costs noted in [exhibit 4](#). The unspent Covid-19 funding of £23.856 million was transferred to the council's general reserve. This will be used to manage the ongoing budget pressures resulting from the pandemic in 2022/2023.

81. Throughout 2021/22 the council has played a key role in supporting individuals and families through the financial burden of the pandemic. This included facilitating support for:

- those self-isolating
- provision of free school meals
- funding for education recovery

82. The council was responsible for administering £39.284 million to local applicants as part of the various business support grant schemes. Due to grant conditions, these business support funds are considered to represent an agency agreement. Agency payments are those paid out by the council on behalf of another organisation, in this case the Scottish Government. As such, the £39.284 million does not appear in the council's annual accounts, except for being appropriately disclosed in its management commentary.

83. We reviewed the council's accounting treatment for each of the grants against the applicable guidance and concluded that the council had classified, and where required, correctly accounted for the grants in its 2021/22 annual accounts.

An underspend of £2.917 million was reported against the Housing Revenue Account (HRA) budget

84. The council reported a £2.917 million underspend against the HRA budget for 2021/22. The underspend was primarily due to the over recovery of income because of higher than anticipated rental income.

85. The £2.917 million underspend was transferred to the Housing Revenue Reserve. In addition, income of £0.540 million was received in council tax from owners of second homes. Taken together, this has increased the reserve from £12.784 million in 2020/21 to £16.241 million in 2021/22.

86. As reported to the Executive Committee in September 2022, as at period five of 2022/23, the council is reporting a breakeven position on its HRA budget.

The pandemic impacted upon the delivery of the 2021/22 capital programme

87. The Executive Committee approved the 2021/22 capital programmes in June 2021. At the time, the general services programme for 2021/22 totalled £85.066 million, with the housing capital programme originally amounting to £94.360 million.

General services programme 2021/22

88. 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. The December 2021 and February 2022 monitoring reports detailed the largest movements in the budget across the year. There were reductions of £5.167 million and £5.877 million reported, respectively. The pandemic was noted as being the main factor behind these reductions, with material shortages and longer lead times impacting on the supply chain. For any project where delivery

timelines have slipped, the council has committed to deliver these, with the projects included in a future year's capital programme as appropriate.

89. At the June 2022 Executive Committee, the general services outturn capital programme spend was reported as £61.587 million for 2021/22, against a final budget of £72.732 million. This represents slippage of 15 per cent against the revised budget (slippage of 13 per cent in 2020/21).

Housing capital programme 2021/22

90. At the Executive Committee's September 2021 meeting, the housing services capital budget was revised down to £79.640 million from the original budget of £94.360 million. This was due to a review of the council's new build housing programme, with proposals approved to move projects totalling £14.720 million into the 2022/23 financial year. These movements reflected revised timescales and estimated completion dates across several sites that had been impacted by planning delays because of the pandemic.

91. The housing capital programme outturn was reported as £73.181 million for 2021/22, against the revised budget of £79.640 million. This represents slippage of 8 per cent against the revised budget (spend was 2.5 per cent greater than budget in 2020/21). Alongside the impact of the pandemic, the underspend was also impacted by the lower than anticipated buy backs due to market conditions. The council had set an initial target of increasing its housing stock through buy back by 30 units at the start of 2021/22. After an in-year review by management, this was raised to an aspirational target of 60 houses. The council acquired 55 units in 2021/22.

92. It is important that the council addresses any slippage caused by the pandemic, challenges in the construction industry and other economic factors. In its [Local Government in Scotland: Overview 2022](#) report the Accounts Commission highlighted the important role of capital investment in councils' recovery from the pandemic. In particular, there is a need for investment to be aligned with plans to tackle the impact of climate change, with modernisation of councils' estates needed to ensure carbon reduction targets are achieved. The importance of investment in this area is something the council has recognised in its recently published Sustainable Development and Climate Change Strategy (discussed further at [paragraphs 159 to 166](#)).

2022/23 capital budgets

93. 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.

94. 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. A further slight revision down to £97.057 million was agreed at the September 2022 Executive Committee meeting.

95. 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.

96. As at period five of 2022/23, £14.420 million (15 per cent) of the revised general services budget and £16.150 million (24 per cent) of the revised housing capital programme budget has been spent. The delivery of both programmes of work in 2022/23 will be subject to regular review and scrutiny by the Executive Committee.

Internal controls operated effectively during 2021/22

97. As part of our 2021/22 audit, we tested the key controls operating over the main accounting systems. Our objective was to gain assurance that the systems for processing and recording transactions provide a sound basis for the preparation of the annual accounts.

98. Our controls work did not identify any significant risks of material misstatement, with the internal controls providing a sound basis for the preparation of the annual accounts.

Internal audit provided a reasonable level of assurance over the council's risk management, control, and governance arrangements in place during 2021/22

99. The internal audit service, in any organisation, is an important element of internal control. It provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

100. We found the council's internal audit to be operating effectively, and in line with the Public Sector Internal Audit Standards (PSIAS) requirements.

101. PSIAS require the provision of an annual internal audit opinion, to inform the council's annual governance statement. The Audit and Compliance Manager issued her Annual Assurance Report to the Risk and Audit Scrutiny Committee in June 2022 which included the opinion that: reasonable assurance can be placed on the adequacy and effectiveness of the council's framework of governance, risk management and control arrangements for the year ending 31 March 2022.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption

102. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers.

103. 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. For the 2021/22 exercise, the council reviewed all higher risk matches by the target date of 31 March 2022. The council's arrangements for investigating and reporting data matches identified by the NFI are satisfactory.

104. We have concluded that the council has appropriate arrangements in place for the prevention and detection of fraud and corruption. We are not aware of any specific issues we require to bring to your attention.

The council is replacing its core HR/Finance systems

105. 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. The expected go live date for the new system is April 2023.

106. 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 by the new audit team.

3. Financial sustainability

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Main judgements

The council approved a balanced budget for 2022/23. The council will face continued financial pressures in 2023/24.

Transformational change aligned with effective medium and longer-term planning is required to address the impacts of the Covid-19 pandemic together with growing inequalities, cost-of-living pressures, and the changing needs of citizens. Lessons learned from delivering services differently during the pandemic should be considered as part of these changes.

The local government pay settlement will add to the future pressures on the council's budgets.

The initial 2022/23 budget gap was £54.403 million

107. The Executive Director of Finance and Corporate Resources presented a report to the council's Executive Committee in June 2021. The report estimated the 2022/23 budget gap, before corporate solutions, at £54.403 million. The report included several options, approved by the Committee, to address the funding gap. These included the temporary use of reserves from the council's prior year's loans fund payment rescheduling review (£27.400 million) and an assumed increase in council tax equating to income of £4.882 million. The total savings package resulted in a revised budget gap of £9.417 million.

The council approved a balanced budget for 2022/23

108. The council approved its 2022/23 revenue budget of £827.916 million (£871.025 million net of specific grants of £43.109 million) in February 2022. To balance the 2022/23 budget, the council had to identify saving solutions to address the remaining budget gap of £9.417 million. The profile of some of these permanent savings is such that £3.235 million will not be realisable until after 2022/23. As such temporary solutions were required to balance the budget for 2022/23, with these relating to underspends that management anticipated would be available against the budget for loan charge interest repayments.

109. The final 2022/23 grant settlement resulted in an improved funding position of £6.328 million when compared with the June 2021 budget strategy

update. However, there were several additional costs identified, such as the increase in national insurance contributions (£3.500 million), which when applied to the improved settlement resulted in a benefit of £1.828 million. To achieve a balanced budget for 2022/23, members agreed to utilise this remaining funding. For example, £0.928 million has been set aside to deal with the inflationary pressures on the council's secondary school public-private partnership contracts.

The council's 2022/23 budget includes one-off funding to support local initiatives. Additional funding received has also been used to limit the impact of council tax increases for citizens

110. Following the above grant settlement, the Scottish Government, in its Stage 2 Budget Bill, allocated further one-off funding of £120 million to local authorities. The council's share of this was £7.042 million. Councils were given flexibility to allocate this additional funding as they sought fit in 2022/23.

111. As part of its 2022/23 budget, the council agreed to use £5.652 million of this funding to continue its investment in community projects and initiatives. This includes £0.800 million to support communities deliver on their identified priorities including initiatives to reduce social isolation and provide health and wellbeing activities. £2.500 million has been identified to support a programme of pavement and footpath repairs with the aim of making communities safer.

112. The remaining £1.400 million was used to reduce the proposed 3.5 per cent council tax increase to 2.5 per cent. Members recognised that any reduction in council tax would likely increase the potential budget gap for future years. However, it was felt that this action was needed to support households in 2022/23 given the current cost of living pressures.

113. The council considers such investments to be an important aspect of its role in helping its citizens and local businesses recover from the impacts of the pandemic, with the provision of these funds also aligning to its Community Wealth Building and Economic strategies (see [paragraphs 167 to 171](#)).

114. The local government pay settlement for 2022/23 is still to be determined but once agreed, this will add to the future pressures on the council's budgets. The Scottish Government is consulting with COSLA on a range of potential funding options that could reduce the impact on council's budget for the year. The council are currently considering the various options available to it. Management will report the financial implications of this pay award to the council's Executive Committee.

The council will face continued financial pressures in 2023/24. Lessons learned from delivering services differently during the pandemic should be considered to help address the estimated £24.726 million budget gap

115. At the council meeting in June 2022 management advised that the budget gap, before any corporate solutions, for 2023/24 was estimated at £37.541

million. This excludes any change to council tax. This figure is made up as follows:

- Core budget items - £22.221 million
- Exceptional budget items - £15.320 million

116. The core budget impact relates to items that the council expects will need addressing year-on-year, for example pay awards (£8.834 million) and reductions in its grant settlement (£6.360 million). The exceptional budget items arise due to the current economic climate and the impact of inflationary increases. As such, the council estimates significant increases in utilities (£7.450 million) and fuel (£1.650 million) costs. Corporate solutions of £5.064 million were identified, primarily relating to efficiencies. This left a budget gap of £32.477 million.

117. At the September 2022 meeting of the Executive Committee, members were informed that the savings requirement for 2023/24 had been revised down to £24.726 million. This decrease was primarily due to a more favourable than budgeted indicative financial settlement following the Scottish Government's May 2022 Spending Review together with the council's share of the national £120 million funding issued to local authorities.

118. Whilst work is ongoing to seek solutions to address this gap, the council recognises that the extent of the budget gap is greater than those efficiencies delivered in previous years. To that end, the council should take the opportunity to learn from decisions made on delivering services differently, in response to the pandemic, to help inform how best to use its resources. The council, its partners and communities worked together at speed during this time to provide support, and deliver services, showing that collaboration is possible. This experience should be used to consider different approaches to service delivery.

Transformational change aligned with effective medium and longer-term planning is required to address the impacts of the Covid-19 pandemic together with growing inequalities, cost-of-living pressures, and the changing needs of citizens

119. There remains uncertainty over the longer-term funding position for councils. In its [Local Government in Scotland: Overview 2022](#) report, the Accounts Commission reports that councils have seen their underlying cumulative funding fall by 4.2 per cent in real terms since 2013/14 (excluding Covid-19 funding). Other analysis indicates that when funding for Scottish Government priority areas is removed there has been a real terms reduction of 9.6%. This contrasts with an increase of 4.3 per cent in Scottish Government funding of other areas of the budget over the same period.

120. This funding reduction is against the backdrop of a range of new challenges facing councils, including decisions on what services to reinstate and redesign, and to what level, following the Covid-19 pandemic. There is a need for councils to develop long-term plans with their stakeholders to address complex issues such as child poverty, inequalities and deliver on Scotland's net zero ambitions. This is all set in the context of a challenging economic climate.

121. The council provided feedback to the Scottish Government's call for views on the 2023/24 Scottish budget. In its response the council acknowledged the unprecedented financial pressures faced by local government and noted that any further reductions in budgets would have severe implications for councils' ability to deliver services. It commented that this would, in turn, impede councils' ability to support the Scottish Government's priorities together with the achievement of national outcomes.

122. Multi-year allocations were not included in the Scottish Government's 2022/23 budget. As such, the funding position beyond 2022/23 is particularly uncertain, with all councils working to a one-year grant settlement. Whilst recognising that this funding model makes it challenging for councils to plan and budget effectively for the medium and longer term, the development of longer-term plans is necessary to help council's plan for and deliver better outcomes and to address inequalities.

123. The council has published a new council plan (see [paragraphs 154 to 158](#)). In developing this, it engaged with citizens to help it establish what services were important to, and valued by, its communities. This feedback was used to inform the plan and will feed into the council's strategic budget planning processes going forward.

124. At the Executive Committee meeting in September 2022, management advised members of a combined savings requirement, after corporate solutions (e.g., use of reserves) but before council tax increases, for 2023/24 to 2027/28 of £100.192 million, [exhibit 5](#).

Exhibit 5

Identified savings requirement 2023/24 to 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Savings required £'million	£24.726	£31.979	£27.215	£5.202	£11.070	£100.192

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

125. As the uncertainty created by Covid-19 diminishes, 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.

126. The council should 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 2

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

There was a £6.366 million net increase in usable reserves

127. In 2021/22 there was a net increase of £6.366 million in the council's usable reserves, with the total now sitting at £152.186 million, [exhibit 6](#). Within the general fund reserve the most significant movements were in relation to Covid-19 funding. The council utilised £26.185 million of funding carried forward from 2020/21, with unspent funding of £23.856 million transferred into the reserve in 2021/22. This brings the total Covid-19 funding held in the reserve to £30.061 million. Over the past two years Covid-19 funding has been the main contributor to the increase in the council's overall usable reserve position. The other significant movement in the 2021/22 general reserve was in relation to earmarked funds held for future budget strategies. This reserve saw a net increase of £13.365 million in 2021/22, bringing the total held to £33.671 million.

Exhibit 6

South Lanarkshire Council usable reserves

Reserve	31 March 2020 £'million	31 March 2021 £'million	31 March 2022 £'million
General fund	£75.579	£116.980	£122.424
Housing revenue account	£9.713	£12.784	£16.241
Repair and renewal fund	£5.918	£7.484	£6.496
Capital fund	£10.327	£6.268	£5.730
Insurance fund	£2.053	£2.304	£1.295
Total usable reserves	£103.590	£145.820	£152.186

Source: South Lanarkshire Council annual accounts 2019/20 to 2021/22

128. The council's general fund reserve includes an unearmarked balance of £17.198 million, with £4.155 million of this being approved for future budget strategies and £13.043 million uncommitted. Against an expenditure budget of £834 million for 2022/2023, this unearmarked element represents a 2 per cent reserve. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures. The remainder of the general fund reserve, £105.226 million, is earmarked for specific

purposes such as Early Years (£14.465 million), Covid-19 recovery costs (£30.061 million) as well as being used to manage the savings requirements across specific future budget years (£33.671 million).

129. Over the course of our audit appointment the current balance of £152.186 million represents the highest level the usable reserves have been at. However, consideration of the wider context in which the council is operating in helps to explain this. The Accounts Commission's [Local Government in Scotland: Overview 2022](#) report highlighted that the increase in 2020/21 revenue reserves across most councils was largely because of additional Covid-19 funding. South Lanarkshire Council saw a significant increase in its usable reserves in 2020/21 (£32.390 million of which related to Covid-19 funding) with a further increase in its reserve position in 2021/22, [exhibit 6](#). The Commission recognised that this funding had artificially inflated reserve positions, with councils unlikely to have flexibility in the use of large elements of these reserves. This is evident from review of the council's total usable reserves, with Covid-19 earmarked monies equating to 19.8 per cent (£30.061 million) of the total usable reserves.

130. There are ongoing sustainability challenges of using reserves to fund recurring expenditure, particularly as recovery and renewal from the pandemic is progressed. This is factored into the current budget strategy. Beyond that, 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.

131. Members should ensure they are satisfied with management's proposals and rationale for the planned use of reserves.

The Scottish Government's proposals for a new National Care Service have the potential to significantly change the way that social care services are structured and operate

132. Following the publication of the [Independent Review of Adult Social Care](#) in February 2021, work is currently under way nationally to develop and implement a new National Care Service (NCS). The Scottish Government expects the new NCS to be operational by 2026. These proposals have the potential to significantly change the way that social care services are structured and operate.

133. In its January 2022 [Social Care](#) briefing Audit Scotland noted stakeholders concerns about the extent of the proposals for reform and the time it will take to implement them. Many of the current issues experienced by the social care sector, for example workforce pressures, cannot wait for the Scottish Government to implement a new NCS.

134. In its formal response to the national consultation on the NCS proposals, the council highlighted similar points to those identified in the Audit Scotland national report. Whilst supportive of the opportunity to discuss improvements to users experience of social care services, the council highlighted the consultations absence of any context for the current system and the underlying causes that have produced the negative outcomes experienced by many stakeholders. In its response the council also set out several areas for urgent

action that it considered would result in more efficient and effective improvements, rather than the proposed wholesale structural reform being proposed.

135. Management have committed to providing members with updates as the proposals develop over the coming year. One such update was provided to the Executive Committee in August 2022. This noted the council's contribution to the consolidated response from COSLA to the Scottish Parliament's call for evidence to the new National Care Service Bill.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

Following the May 2022 local government elections, the council has a new administration. An effective training programme is in place to support new and returning elected members.

Effective governance and decision-making arrangements were in place during 2021/22. The council conducts itself in an open and transparent manner.

Following the May 2022 local government elections, the council has a new administration

136. Following the local government elections in May 2022, 64 members representing the 20 multi-member wards were elected across South Lanarkshire. The political composition is as follows:

- Conservative - 7
- Green - 1
- Labour - 24
- Liberal Democrats - 3
- Independent - 2
- Scottish National Party – 27

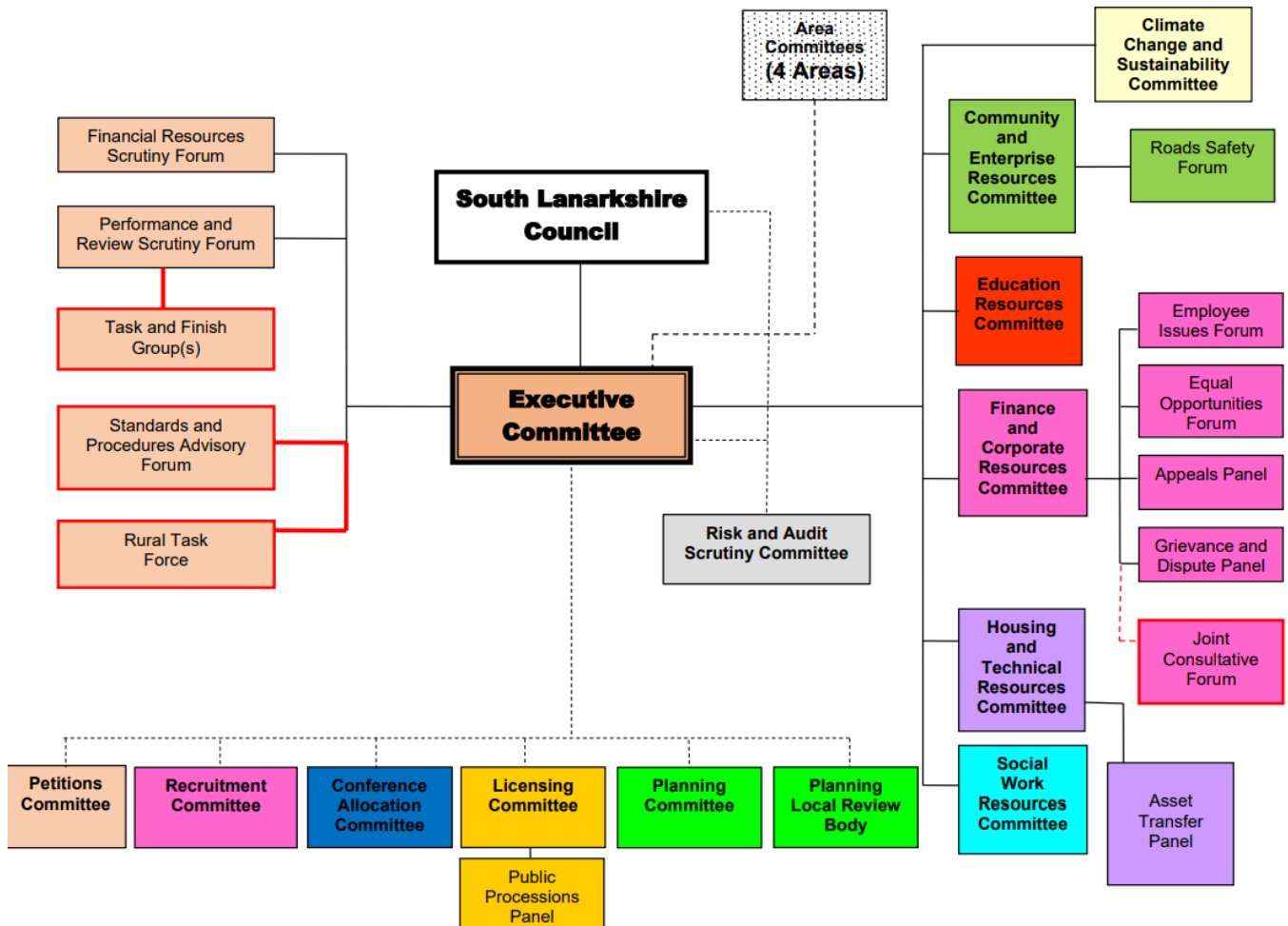
137. In May 2022, at the first meeting of the new council, a Labour-led administration was put in place succeeding the Scottish National Party who led the council in the preceding five years.

138. The Local Government (Scotland) Act 1973 allows councils to delegate decision-making to committees or sub-committees. There is no requirement for councils to adopt a particular decision-making and scrutiny structure; it is a matter for each council to decide what is most appropriate for its circumstances and context. The new council approved the same decision-making structure as

had been used for the previous administration. Essentially this means that all committees and forums report to the council through an Executive Committee, [exhibit 7](#).

Exhibit 7

South Lanarkshire Council decision-making process



Source: South Lanarkshire Council

The council has put in place an effective training programme to support new and returning elected members

139. The Scottish local government elections were held in May 2022. Since the local government elections in May 2022, both 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 on Line material which cover a wide range and variety of courses to help develop members skills.

140. 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.

The challenging context in which the council is operating means collaborative leadership is more important than ever if it is to support recovery from the pandemic and improve outcomes for its citizens

141. In its [Local Government in Scotland: Overview 2022](#) report the Accounts Commission is clear that following the Covid-19 pandemic councils need to build back differently, not simply roll back services to pre-pandemic ways of working. To achieve this, strong leadership from councils is needed. The council's new and returning councillors should be willing and able to make difficult decisions about where and how to spend its resource, with a willingness and ability to embrace collaborative working within the council and with external stakeholders critical to achieving this.

142. The council has shown a desire for collaboration. At the September 2022 meeting of the full council there was cross-party agreement on the proposals to support citizens through the cost-of-living crisis by creating warm spaces across the council area to help those struggling during this time.

143. We encourage members and senior officers at the council to maintain an open and collaborative culture. This will help drive improvement and innovation at the council which will in turn will lead to better outcomes for its citizens.

Effective governance and decision-making arrangements were in place during 2021/22

144. Members and management of the council are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded together with the monitoring of the adequacy and effectiveness of these arrangements.

145. During our audit appointment we have consistently reported that the council has in place appropriate arrangements to support good governance and accountability. As explained further in [paragraphs 63 to 66](#) we are of the view that governance arrangements remained effective in 2021/22.

The council conducts its business in an open and transparent manner

146. There is evidence from several sources which demonstrate the council's commitment to openness and transparency:

- The agendas, papers and minutes of committee meetings are published on the council's website on a timely basis.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year.

- Its website also provides the public with access to a wide range of corporate information including details of the council's corporate plan, performance information, and equality and diversity reporting.

147. During 2021/22 the council held committee meetings virtually using Microsoft Teams. These meetings were livestreamed which helped to maintain public accessibility to council committee business. The council has made recordings of meetings available on its YouTube page. Going forward the council intends to operate a hybrid model for meetings, giving members and officers the opportunity to attend meetings in person whilst also accommodating those who wish to attend remotely.

148. Overall, we remain of the view that the council conducts its business in an open and transparent manner.

Relevant national performance audit reports are considered by the council

149. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22, Audit Scotland published several reports which are of direct interest to the council. These are outlined in [appendix 3](#).

150. During 2021/22 we noted that relevant national reports, including the [Local government in Scotland: Financial overview 2020/21](#) and the [impact of Covid-19 on Scottish councils' benefit services](#) reports, were taken to the Risk and Audit Scrutiny Committee for consideration. These were accompanied by supplementary information explaining how the findings and recommendations relate to the specific circumstances of South Lanarkshire Council. We welcome this positive response to the national reports.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has taken steps to action all the recommendations from its 2019 Best Value Assurance Report.

The council's new Connect Plan sets out clearly its vision and priorities and this is aligned with its new Community Plan. The priorities focus on people, progress, and planet. The plan has been developed from residents' feedback, identifying their aspirations and needs.

The council recognises its role in tackling the climate emergency, with sustainability embedded in its strategic priorities.

Despite the pandemic impacting on service performance in some areas, the council has achieved or is on track to achieve most of its performance measures set out in its Connect Plan.

The council has taken steps to action all the recommendations from its 2019 Best Value Assurance Report

151. The [Best Value Assurance Report](#) (March 2019) (BVAR) for South Lanarkshire Council reported that the council has strong leadership, clear direction, a strong culture of continuous improvement and concluded that it is a well performing council. "We are pleased to note the council continues to demonstrate all of these elements and is making significant progress in fulfilling its duty of Best Value, and outcomes are improving for citizens."

152. 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. Our work in 2019/20 and 2020/21 concluded that the council had achieved four of these, with progress having been made on the other six recommendations.

153. Our work this year has focused on following up on the six recommendations that were still open from last year, [exhibit 8](#). By its very nature Best Value is a continuous process. Whilst we have concluded that the council has put in place arrangements to address all the recommendations, we welcome its commitment to progressing these further, for example, through its updated Connect Plan and associated strategies.

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.	<p>Complete</p> <p>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.</p> <p>These plans have been designed as companion publications and share the same vision, priorities, and outcomes.</p> <p>Ongoing</p> <p>To date, eight neighbourhood plans have been published, with a further three in progress.</p>
2. Elected members need to improve the public scrutiny of key decisions, performance, and financial reports.	<p>Ongoing</p> <p>Management have advised that the overall level of scrutiny has improved over the last Council term.</p> <p>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.</p> <p>Member engagement and scrutiny will be an area of focus for the new audit team.</p>
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.	<p>Complete</p> <p>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.</p> <p>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).</p>

<p>4. Management should review arrangements for assessing resident satisfaction, to ensure these are providing meaningful data to help shape future services.</p>	<p>Complete</p> <p>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.</p>
<p>5. The Community Planning Partnership Board should take a more active role in driving partnership working, monitoring outcomes, and feeding back to thematic subgroups.</p>	<p>Complete</p> <p>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:</p> <ul style="list-style-type: none"> • The Community Planning Outcomes Leads Group • The Partnership Community Participation Engagement Group • The Community Planning Communications Group • The Community Partnership Website Review Group <p>The Board has also recently worked with North Lanarkshire Community Planning Partnership to identify shared priorities for action.</p>
<p>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.</p>	<p>Complete</p> <p>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.</p> <p>'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.</p>

The council's new Connect Plan sets out clearly its vision and priorities. The priorities focus on people, progress, and planet. The plan has been developed from residents' feedback, identifying their aspirations and needs

154. The new council Connect Plan for 2022-2027 was published in June 2022. This is the key strategic document that shapes the work of the council. It sets out the outcomes to be delivered over the next five years and is supported by a long-term vision of core values and priorities.

155. The new plan makes clear the council's vision to "improve the lives and prospects of everyone in South Lanarkshire" and its three priorities; People; Progress and Planet.

156. The Plan has been built from communities up, using engagement to identify resident's views and aspirations. Over 3,500 residents took part in the initial survey with around 200 taking part in follow-up focus groups to help identify the key priorities. This is the largest consultation carried out to date by the council and has added to a body of existing knowledge from previous engagement with residents.

157. Alongside its three priorities, the plan outlines the council's six key outcomes:

- Communities and environment
- Education and learning
- Health and wellbeing
- Children and young people
- Housing and land
- Our economy

158. The outcomes have clear goals of what their achievement will look like. This will allow the performance and progress of each outcome to be measured. The council's Performance and Review Scrutiny Forum will receive updates on the progress of this new plan twice a year.

The council recognises its role in tackling the climate emergency, with sustainability embedded in its strategic priorities

159. At a full council meeting in September 2019, the council recognised the seriousness of the climate emergency that had been declared nationally and made a commitment to help address this at a local level. The council approved its new Sustainable Development and Climate Change Strategy 2022-2027 in June 2022. This follows on from the 2017-2022 version. The new strategy aims to tackle climate change over the medium-term and provides a broad strategic direction for longer-term planning.

160. The council sought views from a range of stakeholders to help it shape the strategy. This involved holding community engagement focus groups with citizens together with workshops that included council officers, community planning partners, and elected members. From the issues that were discussed during the public engagement four key themes emerged, [exhibit 9](#). These themes align with the priorities of the council's new Council Connect Plan 2022 - 2027. 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.

161. The strategy contains 13 priorities with one of these being the achievement of net zero by 2045. The council aims to achieve this in an equitable way that does not exacerbate existing inequalities. It recognises the achievement of these priorities will be challenging particularly given the rural and urban diversity of the council.

162. The council is working on an action plan which will detail how it will achieve these aims and objectives, and how they link to the 13 priorities noted in the strategy. The action plan 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

163. 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.

164. In 2021/22 the council's internal audit function undertook a review of the work to develop this new strategy. The review concluded that the council has a definitive plan in place albeit this needs to be developed and adopted. The financial implications of delivery were noted as was the need to ensure that sustainability was embedded into all decision making.

165. In the Audit Scotland [Auditing Climate Change](#) 2021 report and the Accounts Commission's September 2022 briefing on [Scotland's councils' approach to addressing climate change](#), it was noted that while public bodies, including councils, have declared a climate emergency, there is a need to ensure the robustness of plans. The plans should include greater clarity on how targets and timescales will be achieved. The reports also reaffirmed the important role that citizens will have and the need for strong partnership working. 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.

166. Whilst recognising the amount of work and investment required to achieve net zero, there is a clear commitment from the council to work towards this target. The council has embedded sustainability into its key plans and strategies. It has established a separate Committee to scrutinise progress in this area and combined, this gives climate change a level of prominence and focus within the council.

The Community Wealth Building commission has undertaken significant work throughout the year to progress the council's Community Wealth Building Strategy

167. The council approved a 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.

168. 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

169. The 2021/22 annual report was presented to the CWB commission in June 2022. This highlights the progress over the first year and provides examples of significant work under each of the five key areas:

- Changes to the council's Quick Quote process have enabled the council to use this route for more contracts and to make it more accessible for local suppliers.
- The living wage campaign group ran a successful event in November 2021 promoting the benefits of paying the living wage, including presentations from employers and employees. South Lanarkshire has now reached over 100 Living Wage accredited employers.
- Throughout 2021/22, a total of 582 additional properties were made available for social rent across South Lanarkshire.
- Strategies to boost South Lanarkshire town centres have been developed, covering Hamilton, Cambuslang, Larkhall and Blantyre.
- A new Small Business Support Grant has been introduced and Business Gateway has been resourced to pilot the offer of a new start up grant.

170. The South Lanarkshire Economic Strategy and Action Plan was published in June 2022. This sets out the council's ambitions and actions for growth over the next five years. This links with the priorities of the CWB strategy and seeks to promote inclusive growth and maximise opportunities across the council's communities to deliver on the CWB ambitions.

171. 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. However, 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. In this regard, we welcome the council's adoption of CWB as it aims to create a fairer, more socially just economy for its citizens.

Despite the pandemic impacting on service performance in some areas, the council has achieved or is on track to achieve most of its performance measures set out in its Connect Plan

172. Each of the council's five resource directorates are required to produce an annual resource plan. These plans provide an overview of the resource directorate's main areas of activity, summarise service achievements in the previous year, and set out plans for maintaining and improving services in the year ahead. A total of 264 measures were identified from these resource plans. From the 2021/2022 resource plans 108 measures were identified as key strategic measures for reporting progress against the Connect Plan.

173. The council's performance against resource measures is reported to the appropriate resource committee and performance against corporate measures

is reported to the Performance and Review Scrutiny Forum. Progress reports submitted to the Forum 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.

174. The Connect quarter four progress report for 2021/22 reports that of the council's 108 strategic performance measures, 89 (82%) had been achieved or were on target for completion. Of the remaining measures, two experienced significant issues. These were:

- **The percentage of total household waste that was recycled:** The target was 50%. The actual achieved was 41.5%. Covid-19 was reported as being the main factor in the target not being achieved.
- **To increase settled accommodation by converting 40 temporary accommodation units to Scottish Secure Tenancies by March 2022:** Only 21 units were converted by March 2022. Post Covid-19 priorities to maintain levels of temporary accommodation have prevented the target from being met. However, this will be prioritised in year four of the council's Rapid Rehousing Transition Plan.

175. 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 caused by the pandemic, the council has maintained a strong level of performance.

The council's overall performance per national benchmarking is comparable to its prior year results but is down slightly when compared with the Scottish average

176. 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.

177. The most recent [National Benchmarking Overview Report 2020/21](#) by the Improvement Service was submitted to the council's Performance and Review Scrutiny Forum in August 2022 along with a council specific action plan. When comparing the indicator's reported, the council's overall performance has remained consistent with its own prior year performance but is slightly down when compared to the Scottish average. Details of the council's trend over the past three years against these performance indicators can be seen at [exhibit 10](#).

Exhibit 10

South Lanarkshire Council analysis of LGBF results

	Number of indicators (%) 2018/19	Number of indicators (%) 2019/20	Number of indicators (%) 2020/21
South Lanarkshire Council performance			
Improving performance in SLC	34 (38%)	35 (39%)	36 (38%)
Declining performance in SLC	34 (38%)	45 (49%)	36 (38%)
No change in performance in SLC	3 (3%)	1 (1%)	2 (2%)
Information not available	18 (21%)	10 (11%)	21 (22%)
Comparison with Scottish Average			
SLC results better than Scottish average	44 (49%)	42 (46%)	37 (39%)
SLC results worse than Scottish average	28 (32%)	39 (43%)	37 (39%)
SLC results the same as Scottish average	3 (3%)	0 (0%)	0 (0%)
Information not available	14 (16%)	10 (11%)	21 (22%)

Source: Performance and Review Scrutiny Forum (August 2022) and LGBF 2021/22

178. Across the 95 indicators in 2020/21, the council's performance has improved against 36 (38%) and declined against 36 (38%). In terms of the council's figures relative to the Scottish average, performance was better than Scottish average for 37 (39%) indicators. This is a decrease on the prior year results of 46%.

179. The reason for this decline is specific to each indicator. 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.

180. The council recognises the usefulness of the LGBF in generating discussion about performance and improvement in councils. However, as discussed below, it has recently engaged with the Improvement Service to

develop a bespoke approach which aims to refine reporting on these national indicators in a way that has specific relevance to South Lanarkshire Council.

The council is working collaboratively with the Improvement Service to develop a subset of indicators which align with the outcomes of its new Connect Plan

181. 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. The collaboration follows concerns raised by the council, over a number of years, with the way several aspects of the LGBF are currently reported.

182. In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's resources considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators, 33 have been identified as aligning with the outcomes of the council's new Connect Plan. These will be embedded within the Connect Plan's reporting and will be used to focus attention on how well the council is performing in achieving its strategic outcomes.

183. To complement the reporting of this strategic LGBF suite, the council has committed to reviewing the indicators against its current performance reporting arrangements. For example, those LGBF indicators relating to housing could be reported, at a relevant time, alongside the council's other performance information in this area to provide additional context and allow for richer discussion on the council's performance in this resource.

184. The council will continue to report the LGBF annual results to its Performance and Review Scrutiny Forum. However, the bespoke approach noted above aims to provide greater opportunities for members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Good practice

The council has worked collaboratively with the Improvement Service to achieve the most value from the LGBF in a way that helps drive its improvement based on its strategic priorities.

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

185. The Accounts Commission has a statutory responsibility to define the performance information that councils must publish. In turn, councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced, and engaging performance information.

186. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report:

- its performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

187. Our work in 2021/22 has confirmed that the council's performance reporting arrangements were effective. The council's website covers all the requirements set out in the SPI direction issued by the Accounts Commission.

Appendix 1: Action plan

2021/22 council recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for non-current assets</p> <p>We identified a significant error in the processing of council dwellings revaluations.</p> <p>Risk: If the accounting for non-current assets is not improved future accounts could be materially misstated.</p>	<p>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.</p> <p>Paragraph 44</p>	<p>Action</p> <p>Second officer checks on non-current asset accounting will be implemented with immediate effect.</p> <p>Responsible officer</p> <p>Head of Property Services</p> <p>Agreed date</p> <p>30 September 2022</p>
<p>2. Long-term financial pressures</p> <p>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.</p> <p>Risk: The longer-term financial pressures of the council are not addressed.</p>	<p>The council should identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.</p> <p>Paragraph 126</p>	<p>Action</p> <p>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</p> <p>Responsible officer</p> <p>Executive Director Finance and Corporate Resources</p> <p>Agreed date</p> <p>Ongoing</p>

2021/22 charities recommendation

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Dormant trust</p> <p>The East Kilbride Information Technology Centre Trust has been dormant for several years.</p> <p>Risk: Funds are lying dormant and do not provide public benefit.</p>	<p>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.</p> <p>Paragraph 32</p>	<p>Action</p> <p>A decision will be taken by trustees regarding the future of the Trust at a meeting on 3 October 2022.</p> <p>Responsible officer</p> <p>Head of Personnel</p> <p>Agreed date</p> <p>3 October 2022</p>

Follow-up of prior year council recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Accounting for non-current assets</p> <p>Our testing of the council's non-current assets identified several issues impacting on the accuracy of the asset register covering areas such as disposals and additions. Changes have been made to the 2020/21 audited accounts to correct these errors.</p> <p>Risk: If the asset register is not complete and accurate future accounts could be materially misstated.</p>	<p>Clear year-end communication between Property Services and Corporate Finance is required to ensure accounting records are complete and accurate for the annual accounts.</p>	<p>Closed - this has been superseded by recommendation 1 above</p> <p>In 2021/22 there has been a reduction in the number of non-current asset accounting issues. However, as reported in exhibit 3, we have identified a significant error in the processing of council dwellings revaluations.</p> <p>See appendix 1, recommendation 1</p>
<p>PY2. Assets Held for Sale</p> <p>Our testing of assets held for sale identified one asset held for sale since 2018/19 which has not been revalued since 2016/17.</p>	<p>Management should implement a robust review process to ensure that any assets held for sale for longer than one year are identified and considered for revaluation to ensure that</p>	<p>Closed</p> <p>Through our testing in year, we are satisfied that Assets Held for Sale are held at the appropriate value and were</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>We would expect that assets held for sale for longer than one year are considered for revaluation.</p> <p>Risk: The values for assets held for sale within the asset register are misstated.</p>	<p>assets are held at the appropriate value.</p>	<p>considered as part of the year-end process.</p>
<p>PY3. Revised financial plans to reflect Covid-19</p> <p>The council's medium and longer-term financial strategy was developed prior to the Covid-19 pandemic.</p> <p>Risk: The assumptions made in the council's financial strategy are out of date as they do not consider the financial impact of Covid-19.</p>	<p>The council should review its long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</p>	<p>Ongoing</p> <p>The ongoing financial sustainability pressures faced by the council have been discussed in section 3 of this report.</p> <p>As with most public sector organisations, the council will be dealing with the impacts of the pandemic for years to come. There is a need for transformational change to help address longer-term financial pressures.</p> <p>See appendix 1, recommendation 2</p>
<p>PY4. Arrears of rent and other housing charges</p> <p>These charges amount to some £20.137 million in total.</p> <p>There are a number of individual arrears balances for substantial amounts.</p> <p>Members receive little information on the arrears position.</p> <p>Risk: Arrears are not being pursued in accordance with agreed policy and procedures.</p> <p>The collection of high and escalating arrears balances become increasingly unlikely.</p> <p>Members are unaware of the nature and scale of underlying balances.</p>	<p>Management should review the policy and procedures for pursuing arrears to ensure that appropriate and timeous interventions are being made.</p> <p>Management should investigate large arrears balances and ensure that everything is being done to collect amounts due.</p> <p>Members should be provided with sufficient information on arrears at each committee cycle to allow them to exercise appropriate oversight.</p>	<p>Closed</p> <p>Steps have been taken to reduce the number of significant arrears cases over the past two years. The council responds positively to audit recommendations and seeks to action these where possible.</p> <p>The council will continue to monitor its arrears position, but it is appropriate to close this action point.</p>

Appendix 2: Wider dimension risk

The table below sets out the audit dimension risk that we identified in our 2021/22 Annual Audit Plan together with a summary of the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Audit dimension risk

Description of risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability</p> <p>As is the position across Scotland, the council continues to operate in an increasingly complex and challenging environment, where core national funding is reducing relative to rising demand for services. A wide range of financial uncertainties has been further complicated due to the ongoing pandemic and the council faces significant challenges to remain financially resilient and deliver services sustainably. The council has identified a savings requirement of £86.591 million between 2023/24 - 2026/27.</p> <p>Risk: The financial pressures impact on the sustainability and quality of council services in the future.</p>	<p>Monitor how the council's budget is affected in 2022/23 and the impact on medium/longer term financial planning.</p> <p>Report the 2021/22 outturn in our Annual Audit Report.</p> <p>Monitor the council's performance reports to establish the impact of any financial, and ongoing Covid-19 pressures on services.</p>	<p>Results: The council has identified the necessary savings to address its 2022/23 budget gap. However, this is predicated on the use of non-recurring savings.</p> <p>The pandemic significantly impacted on many aspects of council's finances in 2021/22, with £23.845 million of unspent Covid-19 funding contributing to the overall budget underspend of £66.074 million.</p> <p>The council's service performance has remained stable over the past year.</p> <p>Conclusion: As with most public sector organisations, the council will be dealing with the impacts of the pandemic for years to come. There is a need for transformational change to help address longer-term financial pressures.</p> <p>See appendix 1, recommendation 2</p>

Appendix 3: National performance reports

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

South Lanarkshire Council

2021/22 Annual Audit Report

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