

Dumfries and Galloway Council

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of Dumfries and Galloway Council and the Controller of Audit

November 2023

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Key messages

2022/23 annual accounts

- 1 An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the six section 106 charities administered by the council. The accounts show a true and fair view of the council's financial position.

Best Value

- 2 The council's leadership demonstrate a collective commitment to Best Value, and support for continuous improvement. The council has made good progress in addressing the recommendations in the 2018 Best Value Assurance Report. It needs to sustain its pace of improvement and demonstrate that the arrangements are effective in driving delivery of its strategic outcomes.

Vision and leadership

- 3 The leadership have set out a clear vision and priorities in the Council Plan 2023-28. Performance reporting against the plan's strategic outcomes has been introduced and is now key to the council demonstrating Best Value.
- 4 The council engaged effectively with citizens, communities and staff when developing its vision and priorities. The council has a strong track record in community engagement and working with local communities is part of the culture of the council.
- 5 The council is working with its community planning partners to reduce inequalities through delivery of the Local Outcomes Improvement Plan. The Council Plan 2023-28 is based upon a core set of principles that include addressing both inequalities and the climate emergency.
- 6 The council has declared a climate emergency and has a climate change strategic plan. But the council plan is silent on whether the council is still working towards its target of achieving net zero carbon emissions in Dumfries and Galloway by 2025.
- 7 There is an annual delivery plan that sets out actions to deliver the Council Plan 2023-28 strategic outcomes. Service business plans are also in place which demonstrate how the council plans to deliver its priorities.

- 8 Workforce plans are in place, they now need to be updated to demonstrate how the workforce will support delivery of the new strategic outcomes.

Financial management

- 9 The council operated within budget in 2022/23, after achieving service savings of £2.324 million. There was a £0.314 million reduction in usable reserves to £101.157 million at March 2023.
- 10 The council has appropriate and effective financial management processes in place to manage budgets with regular budget monitoring reports provided to elected members to allow effective scrutiny of the council's finances.
- 11 Capital expenditure in 2022/23 equated to 98 per cent of the revised capital programme budget, although there are delays in the delivery of a number of capital projects.

Financial sustainability

- 12 The Council has agreed a three-year budget covering the period 2023/24 - 2025/26 as part of its ongoing development of a medium-term financial strategy.
- 13 The council's financial plans are aligned to the Council Plan 2023-28. The council will need to prioritise its use of resources to deliver its priorities and difficult decisions on how services are delivered will need to be taken.
- 14 The change and savings programme replaces the previous transformation programme. The programme, which was established as part of the Budget Proposal 2023/24 – 2025/26, is key to maintaining future financial sustainability and supporting priority services.
- 15 The previous transformation programme delivered a number of improvements in services but financial costs and benefits from the projects were not reported on.

Governance

- 16 Following the May 2022 local government elections, the council had a new administration until February 2023 when a new administration was agreed.
- 17 The Council has agreed changes to the council's senior leadership arrangements which will become effective on 1 April 2024.
- 18 Appropriate governance and decision-making arrangements are in place at the council.

Use of resources to improve outcomes - Performance reporting and service performance

- 19** An established performance management framework is in place, with service performance being reported to elected members twice yearly. Work is now in progress to use a more focussed suite of indicators to report progress against its strategic outcomes.
- 20** The annual 2022/23 service performance reports show that the council was on track to achieve many of its performance targets.
- 21** The council's overall performance, taken from the Local Government Benchmarking Framework (LGBF), that does not reflect council priorities, shows 47 per cent of service indicators improving over time. While 40 per cent of national indicators are in the top two quartiles of councils for 2021/22, this has fallen from 56 per cent, showing the rate of service improvement has slowed compared to others.
- 22** Given the difference between the local performance reporting based on local priorities and the national data it is important that the LGBF data is now analysed and put into context for members. This should show how the council performs overtime and compares to others to help identify areas for focus and where lessons could be learned from other councils.
- 23** Public performance reporting needs to improve. A summary of performance against the council plan should be part of the information reported. The website should be updated to show all of the information required in the 2021 Statutory Performance Information Direction.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of Dumfries and Galloway Council (the council). The scope of the audit was set out in an annual audit plan presented to the 25 April 2023 meeting of the Audit, Risk and Scrutiny Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the council's annual accounts
- conclusions on the council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

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

Audit appointment from 2022/23

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

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

Responsibilities and reporting

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

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

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

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

Communication of fraud or suspected fraud

9. In line with ISA (UK) 240 (*The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*), in presenting this report to the Audit, Risk and Scrutiny Committee 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 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 prior to the annual accounts being certified.

Auditor Independence

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £389,370 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. We add value to the council by:

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

1. Audit of 2022/23 annual accounts

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

Main judgements

An unmodified independent auditor's report has been issued for the 2022/23 Annual Accounts of the council and its group and the six section 106 charities administered by the council.

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, Annual Governance Statement and Remuneration Report were all consistent with the financial statements.

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

12. The Audit, Risk and Scrutiny Committee approved the annual accounts for the council and its group for the year ended 31 March 2023 on 3 November 2023. 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 remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and overall were properly prepared in accordance with the applicable requirements. Areas for improvement are identified at paragraph 37.

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

13. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2023. The annual accounts submitted for audit were of a good standard as were the supporting working papers. Finance staff provided

good support to the audit team which helped ensure the final accounts audit process ran smoothly.

14. In 2022/23 we were unable to meet the target of concluding the audit and signing the accounts by 30 September. The audit of the 2021/22 accounts was not concluded by the previous auditor until March 2023. This impacted on the efficiency of the 2022/23 audit. This together with continuing audit resource pressures arising from the Covid-19 pandemic led to the delay in conclusion of the audit.

Our audit testing reflected the calculated materiality levels

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

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

Exhibit 1 Materiality values

Materiality level	Council	Group
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the council's operations. It has been set at 2% of gross expenditure as at 31 March 2023.	£11.465 million	£11.485 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the annual accounts audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement, we have assessed performance materiality at 65% of planning materiality.	£7.452 million	£7.465 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.250 million	£0.250 million

Source: Audit Scotland

Significant findings and key audit matters

17. Under ISA (UK) 260 (*Communication with Those Charged with Governance*), we communicate significant findings from the audit to members, including our view about the qualitative aspects of the council's accounting practices.

18. The Code of Audit Practice also requires all auditors to communicate key audit matters within the Annual Audit Report under ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*). These are matters that we judged to be of most significance in our audit of the financial statements.

19. We have no significant issues to report from the audit.

20. The qualitative aspects of the council's accounting practices, accounting policies, accounting estimates and accounts disclosures are satisfactory and appropriate.

21. In accordance with normal audit practice, a few presentational and disclosure amendments were discussed and agreed with management. The disclosure changes were satisfactory.

There were no identified misstatements above our reporting threshold within the financial statements

22. Our audit identified no misstatements above our reporting threshold.

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

23. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 2

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to</i></p>	<p>We assessed the design and implementation of controls over journal entry processing.</p> <p>We made inquiries of individuals involved in the financial reporting process about inappropriate or</p>	<p>No instances of management override of controls were identified.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><i>Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<p>unusual activity relating to the processing of journal entries and other adjustments.</p> <p>We tested journals at the year-end and post-closing entries and focussed on significant risk areas.</p> <p>We evaluated significant transactions outside the normal course of business.</p> <p>We assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p> <p>We carried out substantive testing of income and expenditure transactions around the year-end to confirm they were accounted for in the correct financial year.</p> <p>We carried out focussed testing of accounting accruals and prepayments.</p>	
<p>2. Significant estimation and judgment: other land and buildings and schools PPP valuations</p> <p>The council held other land and buildings, including its school PPP estate, with a net book value of more than £691 million as at 31 March 2022.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>The assets are revalued on a five-year rolling basis. Values</p>	<p>We reviewed the information provided to the valuer to assess for completeness.</p> <p>We evaluated the competence, capabilities, and objectivity of the professional valuer.</p> <p>We obtained an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>We critically evaluated the approach the council has adopted to assess the risk that assets not subject to valuation are not materially misstated and consider the robustness of that approach.</p>	<p>Although we did not identify a material misstatement within other land and buildings, our work identified that:</p> <ul style="list-style-type: none"> • in relation to the council's five-year rolling revaluation programme which ends in 2024/25, officers have advised that the tender for the next five-year rolling revaluation programme (from 2025/26) will include a requirement for the valuer to revalue assets evenly by value across the categories of assets to ensure a consistent level of coverage each year • for the other land and buildings revalued in 2022/23 using the

Audit risk	Assurance procedure	Results and conclusions
<p>may also change year on year, and it is important that the council ensures the financial statements accurately reflect the value of the assets.</p> <p>There is a risk that valuations of these assets are materially misstated.</p>	<p>We tested the reconciliation between the financial ledger and the asset register.</p> <p>We evaluated management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>We critically assessed the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of other land and buildings.</p>	<p>depreciated replacement cost (DRC) method, the valuer has included finance costs in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance. However, the Code of Practice for Local Authority Accounting in the United Kingdom (the Code) states that finance costs should be excluded from DRC valuations. Officers have advised us that the terms of engagement with the valuer stated that valuations should be undertaken in accordance with both RICS guidance and the Code. The impact of the inclusion of finance costs in the DRC valuations undertaken in 2022/23 has been quantified by officers and we have concluded that this has not had a material impact on the net book value of other land and buildings disclosed in the 2022/23 accounts. However, we have made a recommendation for the council to consider this approach with its valuer in future.</p> <p>Recommendation 1</p> <p>(Refer Appendix 1, action plan)</p>

Source: Audit Scotland

24. In addition, we identified the valuation of the pension liability included in the accounts as an “area of audit focus” in our 2022/23 Annual Audit Plan. This was an area of focus due to the material value and significant assumptions used in

the calculation of the pension liability of £23 million (£370 million in 2021/22). We confirmed that valuation data in the actuarial report was correctly reflected within the annual accounts, and reviewed the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used. Based on the findings of the audit procedures performed, there are no matters which we need to bring to your attention. The pension valuation is free from material misstatement.

There are four schools owned by the council where reinforced autoclaved aerated concrete (RAAC) was used

25. Earlier this year, in common with many local authorities across the UK, Dumfries and Galloway Council identified that some buildings that it owns had the potential to contain Reinforced Autoclaved Aerated Concrete (RAAC). The Council commissioned consulting engineers to undertake detailed inspections of nine schools as a matter of urgency. The inspections centred on confirming the presence of RAAC panel systems; assessing their span, width, thickness and condition; and quantifying the number of panels. This work was undertaken in line with guidance from the Institution of Structural Engineers.

26. A detailed report on these inspections was presented to the Education and Learning Committee meeting on 14 September 2023. Four schools were identified as having RAAC panels and there is no RAAC in any other schools owned by the council. Repair work recommended by the council's consulting engineers to the affected schools is being carried out, out with school hours where possible. There are no plans to close the schools while this work takes place.

27. There is a [dedicated page on the council's website](#) in respect of RAAC where it provides details of these inspections and the action being taken by the council as a result. This highlights that the safety of pupils, staff, parents and carers using these properties is of paramount concern to the council and that it will take all necessary measures to ensure this.

28. The inspection report highlighted that the cost associated with the work required to remedy the issues identified within the report is not known at this time, however it is currently anticipated that these costs can be accommodated within the overall school's asset class programme with most works being undertaken in financial year 2024/25. This approach will be subject to further review once cost details are available and further reports on these matters will be brought before elected members as this work is progressed.

29. As a result of the above, the council has disclosed the impact of these remedial works as an unquantified (cost as yet unknown) contingent liability in a note in the 2022/23 accounts.

30. Survey work is being undertaken across the rest of the council estate to investigate and identify any further buildings that may have RAAC panels fitted.

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

31. 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.

32. 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.

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

34. Dumfries and Galloway Council applied both parts of the statutory override in its 2022/23 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 readers of the accounts.

The council's management commentary is to be reviewed in 2023/24

35. The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) recommends that the management commentary that accompanies the annual accounts reflects a balanced and comprehensive analysis of the development and performance of the council during the year. Although the council's 2022/23 management commentary includes an examination of performance against each priority for the year, the detail provided in relation to service performance is brief and limited. No detailed disclosure of actual performance is included, instead a link is included referencing the reader to information elsewhere. The Code highlights that bodies are not permitted to substitute disclosure requirements with links to information elsewhere.

36. In addition, the Code recommends that the management commentary should include a description of the principal risks and uncertainties facing the council. Although the council's 2022/23 management commentary includes a section on financial risks, it does not include details of any other high-level risks identified in the council's risk register (e.g., significant service failure, layering of demands, management of change, information and data management, cyber security and climate change).

37. We requested that the 2022/23 management commentary be updated to reflect these findings, but the council has decided not to make the changes until 2023/24.

Recommendation 2

The council should review its management commentary within the 2023/24 annual accounts to include:

- expanded service performance disclosures which meet the requirements of the Code, including the insertion of key performance indicators for non-financial performance
- details of both the financial and non-financial risks facing the council as set out in the council's risk register.

The annual governance statement provides an appropriate level of disclosure on the council's governance arrangements during 2022/23

38. 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. The annual governance statement is signed by the Leader of the Council and the Chief Executive. We have been advised that the Chief Executive obtains assurances on issues that may impact on the annual governance statement on a regular basis through statutory officer meetings and internal audit reviews presented to the Audit, Risk and Scrutiny Committee. However, the assurance process could be improved through the completion of year-end returns or 'certificates of assurance' from directors and heads of service for review by the Chief Executive as part of the production of the annual governance statement.

Recommendation 3

Year-end certificates of assurance from directors and heads of service should be completed for review by the Chief Executive as part of the production of the annual governance statement.

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

39. 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.

40. We have no issues to report in relation to the information included within the remuneration report in the council's 2022/23 annual accounts.

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

41. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Dumfries and Galloway Council are sole trustees, irrespective of the size of the charity. The council administers six such registered charities, disclosed in a single set of annual accounts (Nithsdale Connected Trusts).

42. Nithsdale Connected Trusts have limited activity due to a pending reorganisation of the trusts as it was agreed at the meeting of the Council in March 2022 that the funds of these trusts should transfer to another community trust. As a result, no grants were made during 2022/23. Therefore, the council has made good progress in reducing or removing the number of charitable trusts where it is the sole trustee.

43. Our audit opinions on the six Section 106 charities are unmodified and we have no matters to report under ISA (UK) 260 (*Communication with Those Charged with Governance*) or ISA (UK) 701 (*Communicating key audit matters in the Independent Auditor's Report*).

Progress was made on prior year recommendations

44. The council has made progress in implementing the prior year audit recommendations identified by Grant Thornton, the council's previous external auditor, as set out in [Appendix 1](#).

2. Best Value

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

Conclusions

The council's leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. The council has made good progress in addressing the recommendations in the 2018 Best Value Assurance Report. It needs to sustain its pace of improvement and demonstrate that the arrangements are effective in driving delivery of its strategic outcomes.

The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2023-28. Effective performance reporting against the new council plan strategic outcomes is key to the council demonstrating Best Value.

The council engaged effectively with citizens, communities and staff when developing its vision and priorities. The council has a strong track record in community engagement and working with local communities is part of the culture of the council.

There is an annual delivery plan that sets out actions to deliver the Council Plan 2023-28 strategic outcomes. Service business plans for 2023/24 were presented to service committees in August and September 2023 and these plans demonstrate how the council will deliver its priorities.

Workforce plans are in place and now need to be updated to demonstrate how the workforce will support delivery of the new strategic outcomes.

Local Government Benchmarking Framework (LGBF) data is not reported to elected members to show how the council performs over time, compares to others and how it can prioritise improvement actions more effectively and learn from others.

Public performance reporting needs to improve. The council does not fully comply with the 2021 Statutory Performance Information Direction.

Best Value work in 2022/23

45. Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions. Expectations are laid out in the [Best Value Revised Statutory Guidance 2020](#).

46. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. For 2022/23 the scope of Best Value work included conclusions on:

- The Accounts Commission's requested thematic work on leadership in the development of the council's strategic priorities
- Progress made against Best Value improvement actions made in previous years
- Effectiveness of council performance reporting
- Council service performance improvement.

47. In addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this Annual Audit Report.

Leadership of the development of new local strategic priorities

48. This year auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work were included in our [Best Value thematic management report](#) issued in June 2023 and reported to elected members at the Audit, Risk and Scrutiny Committee in November 2023.

49. The key findings in this report were as follows:

- The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2023-28.
- The council engaged effectively with citizens, communities and staff when developing its vision and priorities. The council has a strong track record in community engagement and working with local communities is part of the culture of the council.
- There is effective collaborative working between members and with members and officers. There is an annual delivery plan that sets out actions to deliver the Council Plan 2023-28 strategic outcomes. Service business plans are now key to demonstrating how the council will deliver its priorities, these are due to be presented to service committees in August 2023.
- The council has agreed a three-year budget covering the period 2023/24 - 2025/26 as part of its ongoing development of a medium-term financial strategy. While the council has a strong track-record in developing and delivering savings to ensure balanced budgets, initial

work shows that the delivery of further financial savings to balance future budgets is a significant challenge. The council's financial plans are aligned to the Council Plan 2023-28. However, the council will need to prioritise its use of resources to deliver its priorities and difficult decisions on how services are delivered will need to be taken. Workforce plans need to be updated to demonstrate how the workforce will support delivery of these priorities.

- Elected members have agreed a cross party, change and savings programme to support future financial sustainability and prioritisation of services. The council now need to demonstrate their ability to deliver on the council's priorities and improve outcomes for its citizens. Leadership recognise that an innovative approach needs to be taken when considering how services will be delivered in the future. It is key that the planned performance reporting framework is now progressed to monitor service performance and delivery of its priorities.
- The council's leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. However, the discussion of benchmarking information with members, could help to learn from others and prioritise improvement actions more effectively. The council has made good progress in addressing the recommendations in the 2018 Best Value Assurance Report.
- Local Government Benchmarking Framework (LGBF) data is used by officers but is not discussed with elected members to show how the council compares to others and how lessons could be learned. The high-level data shows overall, indicators have improved over time but at a slower rate than councils across Scotland. The 2022/23 Annual Audit Report will reflect on the council's reported assessment of its performance against its priorities.
- The council is working with its community planning partners to reduce inequalities through delivery of the Local Outcomes Improvement Plan (LOIP). The Council Plan 2023-28 is based upon a core set of principles that include addressing both inequalities and the climate emergency.
- The Council Plan 2023-28 is silent on whether the council it is still working towards its 2019 target of achieving net zero carbon emissions in Dumfries and Galloway by 2025.

50. Audit improvement recommendations were included in the Best Value thematic management report and are replicated in [Appendix 1](#) of this report. This includes details on the council's response to the recommendations. We will report on the progress over the term of our audit appointment.

The council has made good progress on recommendations reported in the 2018 BVAR. Performance reporting against the new council plan has been introduced and is key to the council demonstrating Best Value

51. The 2018 [Best Value Assurance Report](#) (BVAR) for Dumfries and Galloway Council was published in November 2018. It reported that the council has clear strategic direction, underpinned by effective leadership and systems in place for planning, monitoring and continuing to improve. It concluded that the pace of improvement had increased over time, and this needed to continue to respond effectively to future challenges.

52. The 2018 BVAR contained seven improvement recommendations. In response to these recommendations, the Council approved a Best Value Improvement Plan in December 2018. Progress of the improvement plan has been reported to the Council and the latest update report was presented to Council in June 2019 highlighted that three of the seven recommendations were complete. No progress reports were reported to council showing how the remaining actions had progressed. Progress on the actions has however been reported by the previous auditor. In the 2020/21 Annual Audit Report it was concluded that ***'the Council has made good progress in implementing the actions from the plan.'***

53. As part of our 2022/23 Best Value thematic work, we followed up on the agreed actions from the 2018 report. We concur with the view that the council has made good progress in addressing the recommendations. However, we reported that while performance reporting has improved further development is required. We also identified that performance monitoring arrangements for the Council Plan were a wider scope audit risk for focus of audit work in our 2022/23 Annual Audit Plan.

An annual delivery plan sets out the actions planned to deliver the Council Plan strategic outcomes. Progress will be reported to elected members regularly

54. In March 2023, the Council approved the annual delivery plan which sets out the actions to deliver the Council Plan 2023-28 strategic outcomes during 2023/24.

55. The plan provides the focus on the activities, outputs and projects for the year ahead which will help achieve or contribute to the agreed strategic outcomes set out in the Council Plan. It includes one hundred and thirty-six actions across the twenty-three strategic outcomes included in the Council Plan. Each action has been assigned to a lead committee and lead chief officer, as well as being cross referenced to the related themes and outcomes of the Council Plan.

56. The plan reflects that there are a wide range of day-to-day operational activities, set out within service business plans, which support and underpin the Council Plan, and are of importance to elected members, stakeholders, partners and staff.

57. As part of the council’s proposed improvements, the Corporate Management Team (CMT) will oversee a quarterly review of progress across activity within the annual delivery plan and ensure any actions or follow up required is undertaken throughout the year. The CMT reviewed progress at the end of the first quarter at its meeting on 30 August 2023. Following this review, the actions were updated based on this discussion prior to reporting to the Leaders Panel on 12 September 2023. The Leaders Panel comprises political group leaders supported by the Chief Executive and other senior officers. The report to the Leaders Panel included an appendix which provided an update on each of the actions set out in the annual delivery plan for 2023-2024, showing the progress achieved to the end of Quarter 1, providing an overview of activity during the period and planned activity for Quarter 2. The report noted that activity is progressing well across each of the four Council Plan themes and strategic outcomes and included the following summary table. Sitting below the summary table, is a full analysis of the progress against the individual activities planned on each Council Plan theme.

Council plan theme	Strategic Outcomes	Actions	Q1 Summary
Economy	6	45	Progress across each of the strategic outcomes with 1 delivery action complete.
Travel, Connectivity and Infrastructure	6	28	Progress across each of the strategic outcomes.
Education and Learning	6	40	Progress across each of the strategic outcomes with 2 delivery actions complete.
Health and Wellbeing	5	24	Progress across each of the strategic outcomes with 6 delivery actions complete.

Service plans have now been approved, which set out the targets to be achieved to deliver the strategic outcomes

58. The service plans for 2023/24 were presented to service committees in August and September 2023 and these plans demonstrate how the council will deliver its strategic outcomes as set out in the Council Plan. The service plans set out the following:

- services delivered
- Council Plan strategic outcomes that the service leads on
- annual budget
- employee statistics for the service
- Council Plan delivery 2023/24 – for the relevant strategic outcomes, for each delivery plan action the team who will deliver the action is provided along with the linked strategy/plan
- service delivery 2023/24 – includes “what are we planning to do?” and the team who will deliver the action

- change and improvement activities – includes “what are we planning to do and what is the intended outcome?” and who will deliver the action
- service success measures – includes target, timescale/frequency, benchmark and area reporting for each measure
- relevant council wide indicators - includes target, timescale/frequency, benchmark and area reporting for each measure/indicator (service plans include relevant LGBF Indicators)
- service risk register.

59. Six-monthly progress reports on the 2023/24 service business plans will be presented to service committees from November 2023. This approach will provide visibility on progress for the public and elected members during the year alongside summary reporting on an annual basis to full Council. Reporting on specific topics or decisions, in line with elected member decisions will also continue.

Dumfries and Galloway Community Planning Partnership’s Local Outcomes Improvement Plan (LOIP) for 2023-2033 was developed giving consideration to the content of the council’s Council Plan 2023-28

60. In September 2023, the Dumfries and Galloway Community Planning Partnership (CPP) Board approved the new Local Outcomes Improvement Plan (LOIP) covering the period 2023-2033. The LOIP includes a section to explain how it was developed and highlights that a main consideration in developing the LOIP was to ensure that the key messages from recent consultations, evaluative reports and engagement exercises informed the new themes, outcomes and key actions. The LOIP notes that this included consideration of Dumfries and Galloway Council’s Council Plan 2023-28.

The council has an established performance management framework in place, with service performance being reported to elected members twice yearly

61. Performance against the previous council plan was monitored through the relevant service and area committees on a six-monthly basis. In March 2022 the council published an ‘end of term report’ for the 2017-22 plan. This reports that the council delivered 124 of its 139 priority pledges with the remaining 15 delivered in part. This addressed the concern raised in the 2021/22 Annual Audit Report (November 2022) that the latest report of performance against the Council Plan 2017-22, on the performance section of the council’s website, was dated September 2020.

62. Detailed six monthly performance reports are presented to the relevant service committees which identify the individual Key Performance Indicators (KPIs) within each service business plan alongside the values, targets, current status and trends. The reports provide elected members with sufficient detail to monitor and track delivery of performance and outcomes of KPIs.

63. The most recent performance reports include planned improvement actions where they are not on target. The performance reports on the former plan were also made publicly available on the council's website to ensure transparency and are updated every six months. The six-month assessments (April to September 2022) of the progress on the delivery of service plans were presented to the relevant service committees during February and March 2023. The end of year service performance reports for 2022/23 were presented to the relevant service committees during June 2023. These performance reports include an exception report which sets out proposed actions to improve performance and future monitoring of areas which have not met the target. The performance results are discussed further at paragraph 150.

64. No summary of council performance against the council plan strategic outcomes in 2022/23 was produced. Instead, the council focussed on producing the Council Plan 2023-28 which was approved by Council in February 2023.

65. In response to a recommendation in the thematic report, the council said that it would take a report to full council in October 2023 with proposals for a focused suite of measures aligned to the new Council Plan strategic outcomes. This work has been rescheduled due to challenges with securing expert advice to develop outcomes and will now be presented to members for consideration in early 2024.

The thematic report says that the council's website has lots of performance information, but it would benefit from a high-level summary, tailored benchmarking analysis and it needs to be kept up-to-date

66. The council uses the [performance information section](#) of its website to report performance to the public. The [council Performance sub-section](#) includes a link to an [interactive tool](#) (Pentana) which allows citizens to view the council's performance in 2021/22 (where data is available) for a range of both LGBF and council-specific performance indicators and provides a graphical representation of the direction of travel for each indicator and the trend in performance over the last few years. The current notes section for each performance indicator provides narrative for those indicators where the target performance has not been achieved.

67. While the interactive tool provides a lot of information when interrogated, it would be useful to have a summary of performance showing how many indicators were improving, deteriorating or staying the same. Also, the benchmarking section currently directs members of the public to the Local Government Benchmarking Framework (LGBF) website to conduct their own analyses.

68. Information from the LGBF is analysed and used internally by officers in service reviews and more generally, to understand what it means for their service and why there are any differences in performance. In March 2023, the LGBF featured in a regular internal insights paper for the Senior Leadership Team. The council should consider publish this analysis and its planned response to it on the website.

69. Our review of the various links to performance information listed above found some of the sections contain broken links and out of date information that needs to be updated and kept up to date.

The thematic report says that Local Government Benchmarking Framework (LGBF) data is not discussed with elected members to show how the council compares to others and how lessons could be learned from others

70. The Accounts Commission's, [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

71. The council's self-evaluation framework, based on the Public Service Improvement Framework (PSIF), sets out how professional benchmarking data and LGBF indicators will be used as part of the process of review. Also, referring to the LGBF is included in the council's service review toolkit.

72. However, the council has not produced LGBF reports for members since the start of the Covid-19 pandemic in March 2020. In March 2023, when the 2021/22 LGBF data became available, the council sent an email to all elected members to draw their attention to it, highlighting the newly improved online LGBF dashboard with detailed indicator level analysis. This is useful but does not include narrative for elected members at council-level on why performance might differ from other councils and how it could learn and make improvements.

73. This is reflected in our audit recommendation in the Best Value thematic management report, [Appendix 1](#), which says that the council should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements.

The council does not fully comply with the requirements of the 2021 Statutory Performance Information (SPI) Direction

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

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

75. We have assessed the council's arrangements for reporting against the Direction and conclude that the council is complying with it in parts but it needs to improve in a number of areas of its public performance reporting.

76. As noted in paragraphs 61 to 63, performance was reported against the previous council plan through the relevant service and area committees on a six-monthly basis. The public can easily access these balanced reports through the council's public performance reporting webpages. While these reports are aligned to the individual service plans there is no summary of its performance against the council priorities reported to elected members or the public. In addition, there is no public reporting of the council's performance over time or performance compared to others in the LGBF.

77. In terms of what the council is doing to publish its own and others' assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments:

- Service reviews and self-assessments are not included in the performance information pages of the council's website. They can only be found by trawling committee papers or doing a search and the user is left unsure as to whether they have found all the information there is available. The council should make self-assessments and service reviews more accessible on its website.
- The performance information section of the council's website has dedicated pages on audit and inspections and Best Value. These currently just link to the organisations conducting the audits and inspections and should include contain direct links to specific audit and inspection reports on the council. This would give the user a clear overview of what audit and inspection work has been undertaken in the council. The council's response to these reports should also be linked. Currently the only links provided to the council's response are in relation to the 2018 BVAR but these links are not currently working.

78. We will assess the effectiveness of the council's performance reporting framework and public performance reporting arrangements over the term of our audit appointment.

Recommendation 4

The council needs to improve its public performance reporting by:

- providing a summary of performance showing how many indicators relating to its own priorities are improving, deteriorating or staying the same
- ensuring members of the public can access its tailored LGBF analysis
- ensuring its public performance reporting webpages have working links, are up-to-date and information can be easily accessed
- ensuring service self-assessments and service reviews are more accessible on its website

- ensuring there are links to the results of audit and inspection reports on the council together with the council's response to these.
-

3. Financial management

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

Conclusion

The council operated within budget in 2022/23 after achieving service savings of £2.324 million. There was a £0.314 million reduction in usable reserves to £101.157 million at March 2023.

The council has appropriate and effective financial management processes in place to manage budgets with regular budget monitoring reports provided to elected members to support scrutiny of the council's finances.

Capital expenditure in 2022/23 equated to 98 per cent of the revised capital programme budget, although there are delays in the delivery of a number of capital projects. The 2023/24 reporting to elected members on capital projects has recently been updated to show progress against planned completion dates on projects.

Controls within the main financial systems were operating effectively while standards for the prevention and detection of fraud remain appropriate. However, the council needs to more proactively investigate and report the outcomes of NFI activity.

There are well-established budget monitoring and reporting processes in place

79. The council has effective budgetary and financial management processes in place that allow members to carry out effective scrutiny of its finances. This is supported by an experienced finance team.

80. The Finance, Procurement and Transformation Committee (FPTC) provides scrutiny, challenge and gain assurances on all aspects of finance, procurement and transformation. The committee receives detailed financial reports, which are accompanied by an overview and presentation from the Head of Finance and Procurement. Service committees also receive relevant financial monitoring reports.

The council operated within budget in 2022/23 after achieving service savings of £2.324 million

81. The Council approved a balanced revenue budget for 2022/23 in February 2022. Following achievement of service efficiencies, the council reported a net underspend of £1.457 million.

82. The council's 2022/23 agreed budget included savings totalling £2.771 million to be delivered during the course of the year. As at the end of financial year 2022/23, the level of savings achieved against that target was £2.324 million (84 per cent). The shortfall was due to the timing of the termination of the lease of a property. This delay was anticipated, and the resultant shortfall is being met from the Change Fund in 2022/23. The lease has now been terminated and the 2022/23 agreed savings will now be achieved in full on an ongoing basis.

There was a £0.314 million net decrease in usable reserves

83. One of the key measures of the financial health of a council is the level of reserves held. In 2022/23 there was a small net decrease of £0.314 million in the council's usable reserves, with the total now sitting at £101.157 million ([Exhibit 3](#)).

84. Within the general fund reserve the most significant movements were in relation to the following:

- planned use of £16.502 million for earmarked spend as part of the 2022/23 budget
- establishment of an education ASN/technology investment reserve of £5.282 million.

85. In addition to the above, the council utilised £3.109 million of Covid-19 funding carried forward from 2021/22.

Exhibit 3 Dumfries and Galloway Council - usable reserves

Reserve	31 March 2021 £ million	31 March 2022 £ million	31 March 2023 £ million
General fund	£70.180	£90.003	£86.370
Capital fund	£1.626	£4.771	£8.183
Insurance fund	£2.968	£3.572	£3.629
Repairs and renewals fund	£3.480	£3.125	£2.975

Total usable reserves	£78.254	£101.471	£101.157
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Source: Dumfries and Galloway Council Annual Accounts 2020/21 to 2022/23

86. As detailed in the March 2023 [CIPFA Bulletin 13 Local Authority Reserves and Balances](#), there is no prescribed level of reserves, but the Proper Officer (the council's Head of Finance and Procurement) has a responsibility to advise members on the creation and levels of reserves that are appropriate to the council's circumstances. Reserves balances can be held for three main purposes:

- **Working balance:** To help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- **Contingency:** To cushion the impact of unexpected events or emergencies.
- **Known requirements:** To build up funds to meet known or predicted requirements.

87. The council's general fund reserve includes an unallocated balance of £8.600 million, which represents 2 per cent of annual planned spending. Management considers that this level of reserve reflects a suitable contingency to contribute towards any unanticipated pressures and is consistent with the council's approved policy of maintaining unallocated reserves of at least 2 per cent of annual planned net expenditure to meet the potential cost of unforeseen liabilities. The remainder of the general fund reserve is earmarked for specific purposes including the service concessions reserve (formerly Schools PPP) (£14.050 million), medium term financial planning (£14.008 million), budget pressures/resilience funding (£4.970 million) and corporate change fund (£4.854 million).

Capital expenditure in 2022/23 equated to 98 per cent of the revised capital programme budget. There are delays in the delivery of a number of capital projects

88. The Capital Investment Strategy Final Outturn 2022/23 report to the Finance, Procurement and Transformation Committee (FPTC) in June 2023 noted that total capital expenditure for the year was £30.904 million against a capital programme budget of £31.507 million, representing 98 per utilisation. However, the report highlights that this outturn position reflects a further challenging year for the council with lead officers highlighting difficulties in terms of supply chain issues, resourcing of projects (both internal and external) and cost inflation. To recognise these challenges, the FPTC agreed to reprofile the capital programme in September 2022 and an allowance for project slippage of £8 million was applied to the overall capital programme budget.

89. The report highlights that for number of capital projects and programmes that commenced in 2022/23, due to delays in the projects starting and supply chain they will not complete until 2023/24. As a result, funding totalling £8.603

million (net of the £8 million slippage allowance) is being carried forward within priority projects and asset classes to 2023/24. The majority of the funding being carried forward is fully committed.

90. The report notes that the council is still awaiting key information on a number of priority projects including:

- the Scottish Government decision on the Dumfries Academy/Loreburn bid for Phase 3 Learning Estates Investment Programme (LEIP) funding has been further delayed and a date for this decision has not yet been confirmed
- the final stage of the Waste Strategy is currently underway which will support the Dumfries Zero Waste Park considerations
- the Scottish Government are currently revisiting the eligibility criteria for all cycle 1 flood protection schemes.

91. In relation to capital monitoring reports, we recommended in the Best Value thematic management report, [Appendix 1](#), that reports to members on the capital programme should report progress against planned project completion timelines in addition to the cost information already reported. In response to this recommendation, the council has revised capital programme monitoring reports. The Capital Investment Strategy Monitoring 2023/24 – Quarter 1 report presented to the FPTC on 29 August 2023 includes a project status report as an appendix which provides, for each project, the following information:

- current stage of project/programme
- percentage completion
- target completion date
- projected completion date
- programme red/amber/green status in terms of completion date against target
- costs to date as a percentage of total available budget
- programme red/amber/green status in terms of cost to completion.

Financial systems of internal control operated effectively

92. From our review of the design and implementation of systems of internal control relevant to our audit approach (including those relating to IT), no significant weaknesses were identified which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the Annual Accounts. We concluded that the key controls within the council's main financial systems operated effectively in the year.

Internal audit provided a reasonable level of assurance over the council's internal control system, governance and risk management arrangements during 2022/23

93. 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.

94. Internal audit's controls assurance statement, presented to the June 2023 Audit, Risk and Scrutiny Committee meeting, as part of our review of the Annual Governance Statement is included within the 2022/23 Annual Accounts. Internal audit's opinion is that overall reasonable assurance can be placed upon the adequacy and effectiveness of the council's internal control system, governance and risk management arrangements in the year to 31 March 2023.

The council has in place appropriate arrangements for the prevention and detection of fraud and corruption. However, the council needs to proactively investigate and report the outcomes of NFI activity

95. The council has a range of established procedures for preventing and detecting fraud and irregularity including a corporate anti-fraud and anti-corruption policy statement and strategy and codes of conduct for members and officers.

96. 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. NFI data matches were issued to the council in January 2023 as part of the NFI exercise for 2022/23. However, we have noted that:

- there has been a change in the arrangements for co-ordinating NFI matches within the council and these have only recently been clarified with responsibility in the process of being passed to Internal Audit
- not all datasets were submitted by the council for the exercise – Council Tax Reduction Scheme and taxi drivers datasets were not uploaded to the NFI database
- there is limited follow-up activity showing on the NFI system in relation to many of the datasets submitted.

97. We conclude that the council has not been adequately proactive in investigating matches and reporting the outcomes of NFI activity to elected members. There is a risk that the council might be missing opportunities to identify overpayments and discounts awarded incorrectly on a timely basis.

Recommendation 5

The council should prioritise investigation of NFI matches and reporting the outcomes of NFI activity to elected members on a regular basis.

The council has identified a £30,000 overpayment made by the council relation to kinship care

98. An internal audit report was presented to the Audit, Risk and Scrutiny Committee on 26 September 2023 covering the controls in place over payments made by the council for fostering, adoption and kinship care. The report highlighted that, during the audit, management identified a kinship care payment that continued for 2 years after the placement ended, firstly when the child was with a parent and later with another kinship carer. An overpayment of £30,000 is now due to be recovered. Management have agreed to check each scheduled payment run for accuracy before payment. In addition, processes will be reviewed to see if further control improvements may be made. Kinship care payments total £2.2 million in 2022/23 which is not a material amount in the accounts and our audit approach was not impacted by this issue.

4. Financial sustainability

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

Conclusion

The Council has agreed a three-year budget covering the period 2023/24 - 2025/26 as part of its ongoing development of a medium-term financial strategy.

The council's financial plans are aligned to the Council Plan 2023-28.

Savings of £7.097 million in 2023/24 are required to be delivered through corporate measures and a change and savings programme, with cumulative total savings of £38.121 million required to be achieved by 2027/28.

The change and savings programme replaces the previous transformation programme. The programme, which was established as part of the Budget Proposal 2023/24 – 2025/26, is key to maintaining future financial sustainability and supporting priority services.

The previous transformation programme delivered a number of improvements in services but financial costs and benefits from the projects were not estimated or reported on.

The council approved a balanced budget for 2023/24 and a three-year budget covering the period 2023/24 - 2025/26 as part of its ongoing development of a medium term financial strategy

99. The Accounts Commission's, [Local Government in Scotland Overview 2023](#) says that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. In this context, demonstration of how finances are aligned with locally set priorities is important.

100. A cross-party budget panel was established to allow panel members to contribute and provide opportunities to develop strategic thinking in relation to the council's medium term financial strategy, alignment with the Council Plan and development of the council budget for 2023/24. This is a positive development in the way in which the council is developing its financial planning to promote decisions being taken which align with the priorities of the council.

101. The council engaged with citizens, customers, staff and partners on council's revenue budget for 2022/23 - 2024/25. The feedback from this engagement exercise provided suggestions of what the council should stop doing/could do differently/less but tended not to refer to an individual service or part of a service and included: hiring consultants, paper-based processes, duplication and hiring consultants. The responses were grouped by theme, e.g., climate change and roads, and the vast majority of comments suggested improvements within the theme rather than stopping a service, such as "stop using polluting diesel vehicles" and "stop letting roads deteriorate".

102. On 28 February 2023, the Council approved a balanced revenue budget for 2023/24 and indicative budgets for 2024/25 and 2025/26. The revenue budgets are aligned to Council Plan priorities. The budgets are structured to reflect the council's services which are provided by the following departments:

- Skills, Education and Learning
- Economy and Resources
- Communities
- Social Work

103. The 2023/24 annual delivery plan for the Council Plan based on the strategic commitments, programmes and projects reflected in the Council Plan, is linked to the agreed capital and revenue resources reflected in the agreed budget. The service business plans then show how the services focus on delivery of the council priorities and outcomes with reference to the annual budget for each of the services.

104. The budget process identified a budget gap of £14.732 million for 2023/24 as a result of anticipated pay and other cost pressures. The Council agreed the following measures to close the budget gap and to support investment in key priorities in 2023/24:

- increase Council Tax by 6 per cent
- use of service concessions fiscal flexibility equating to £3.7 million
- identified change and savings programme options equating to £2.397 million
- revenue flexibilities equating to £1 million
- application of non-recurring resources of £1.376 million
- use of council balances of £1.437 million.

105. The February 2023 report highlighted that the cumulative savings available through the use of service concessions, revenue flexibilities and change and savings programme included in the list above would increase to £12.146 million for 2024/25 and £21.121 million for 2025/26.

106. A further update report on the further development of the medium-term financial strategy was presented to the Council meeting on 27 June 2023. This report highlighted that, although the budget agreed by the Council in February 2023 covered the three years 2023/24 – 2025/26, all political groups developed their proposals within a 5-year budget model up to 2027/28. This model showed that total cumulative savings of £29.621 million were required by 2026/27 and increasing to £38.121 million by 2027/28 (see [Exhibit 4](#)). A further update report to the FPTC August 2023 meeting provided the latest estimates on the savings required for 2023/24 – 2027/28 to address funding gaps (after non-recurring funding has been applied) and set out in [Exhibit 4](#). The FPTC report notes that a further £29.5 million of targeted savings need to be identified and progressed through the council’s new change and savings programme by 2027/28, discussed below.

Exhibit 4

Medium Term Financial Strategy – Savings Required 2023/24 - 2027/28 (Cumulative)

Scenario	2023/24 £'million	2024/25 £'million	2025/26 £'million	2026/27 £'million	2027/28 £'million
Identified Measures	6.147	7.796	8.621	8.621	8.621
Targeted Savings	0.950	4.350	12.500	21.000	29.500
Total Savings Required	7.097	12.146	21.121	29.621	38.121

Source: Development of the Medium-Term Financial Strategy Update Report (August 2023)

107. The August 2023 report highlights that these estimates will be subject to change as the financial strategy is progressed. Particular areas of volatility relate to Scottish Government grant funding, pay settlements and non-pay inflation.

108. The council’s arrangements for budgeting and financial planning for the medium term demonstrate a sound understanding of financial planning and risk awareness which has been incorporated into financial plans. The council has a good track record of delivering savings targets in the past but it cannot underestimate the challenges it faces in the next five years to identify and deliver savings to address the expected funding gap.

The council needs to take an innovative approach when considering how services will be delivered in the future. The change and savings programme is key to this

109. The Council Plan delivery statement 2023/24 reflects the decision to establish a change and savings programme to support future financial sustainability and prioritisation of services, supported with additional capacity and specialist financial and analytical skills and resources. Elected members

recognised that a change programme aligned with a new Council Plan, financial strategy and budget process were important and this was agreed cross party.

110. The FPTC August 2023 report highlighted that the following two overarching objectives will direct the progression of the change and savings programme:

- to develop a multi-year change and savings programme to ensure balanced budgets on a sustainable basis
- to ensure that the changes progressed by the council over the upcoming period are focussed on and aligned to the key objectives and ambitions reflected in the Council Plan.

111. In line with these objectives, the budget panel has provided direction on a broad range of areas/options to be developed as part of the progression of the Change and Savings Programme and has agreed the following two step process for proposals to be brought forward:

- Step 1 - early provision of an initial scoping briefing to the budget panel setting context, budgetary values and other pertinent information and indicating, where possible, scope for financial savings
- Step 2 – If the budget panel agree to move to the next step, then the second step would be undertaken which would provide for gathering of evidence and insights, deploying specialist enabling resources on activity data and financial/cost analysis, benchmarking and working with the relevant service leads. Deploying the service review approach in this step will enable staff and customer engagement to ensure that options for change and savings brought forward are fully informed and risk and impact assessed.

112. The approved budget for 2023/24 to 2025/26 also includes seven Policy Investment Proposals, costing £2.533 million in 2023/24, £2.919 million in 2024/25 and £2.919 million in 2025/26. The proposals show how they are linked to the Council Plan 2023-28 themes and strategic outcomes, provides details of the benefits to the council and how these benefits will be demonstrated/evidenced e.g., on roads improvement and cost of living support.

113. In addition, the approved budget includes eighteen Change and Savings Options (including investing in energy efficiency and reducing energy usage) expected to reduce the council's funding gap by £2.397 million in 2023/24, £7.446 million in 2024/25 and £16.421 million in 2025/26. The options show how they are linked to the Council Plan 2023-28 themes and strategic outcomes.

114. One of the Change and Savings Options relates to achieving targeted savings from transformational ideas (£0.750 million in 2023/24, £4 million in 2024/25 and £12 million in 2025/26), designed to deliver new service models within reduced resources. Reports note that it will be important to maximise opportunities that reduce the funding gap in a manner that protects services. Savings Options highlight that workforce changes are required with fewer but

more multi-skilled staff required. Many staff will have to be supported and retrained to transfer into new or in demand roles.

115. It is also recognised that developments at a national level, including current council tax consultations and the agreed review of specific funding streams with a view to reducing ring-fencing, could have a significant influence on proposals to be brought forward and these opportunities will be subject to ongoing review.

116. In addition to seeking opportunities to reduce costs, the council recognises that it will also be essential that areas of budget pressure linked to increased service demand, such as Additional Support for Learners and Children and Families Services, are also subject to focussed review to ensure that these pressures are effectively addressed, including through early intervention and prevention, to avoid placing further pressure on the council's overall funding gap.

The 2023/24 change and savings programme replaces the previous transformation programme

117. Prior to the introduction of the change and savings programme, the previous transformation programme reflected six priority themes. The latest reporting of the previous transformation programme was to the Council in December 2021. At the time, members agreed that reporting on the completion of any activity under the transformation programme would be through the relevant service committees and any remaining matters have now been adopted into the change and savings programme. Examples of service improvements as a result of the programme include:

- new models of working introduced to social work as a result of investment in early and effective intervention family support work and the introduction of single access point for social work services
- supporting services with workforce and succession planning to provide solutions for building capacity within the existing workforce and also attracting and retaining new people. Achievements include the realignment of the Education Central Team and an increased number of graduates being recruited.

118. While the reports contain narrative on the progress of the activities in this programme there is no information reported on estimated or actual costs of service investments or target efficiency savings. The report says that 'moving forward, the focus for all transformation monitoring and reporting to this Committee will be on achievement of transformation outcomes and related financial savings.'

119. Where projects included in the transformation programme are incomplete but still felt to be important, they have now been included in the change and savings programme.

Five cross border local authorities are working together on the Borderlands Deal

120. In March 2021 the UK and Scottish Governments signed the Borderlands Inclusive Growth Deal. Five cross-border local authorities of Carlisle City Council, Cumbria County Council, Dumfries & Galloway Council, Northumberland County Council and Scottish Borders Council to promote economic growth and competitiveness of the area that straddles the Scotland-England border.

121. The initiative is focusing on several key themes, including: digital technology; innovation; low carbon; and energy. Delivery of projects within the Borderlands Deal are at an early stage. The council is currently developing business cases for business cases for Stranraer Marina and the business infrastructure across the region as part of the Borderlands Inclusive Growth Deal.

A ten-year capital investment strategy is in place, although the council is to develop an asset management plan

122. The council has a ten-year capital investment strategy which is updated annually. The strategy was developed to reflect the council's strategic priorities and is effectively linked to its treasury management strategy and future costs of borrowing.

123. A report was presented to the Finance, Procurement and Transformation Committee in February 2023 which provided details of the updated capital investment strategy budget for the period 2023/24 to 2032/33, to reflect the local government finance settlement for 2023/24 announced in December 2022. Significant projects within the capital investment strategy over the ten-year period include the Dumfries High School replacement (£44.079 million), Dumfries Academy refurbishment/Loreburn Primary relocation (£23.006 million) and Whitesands flood protection (£21.790 million).

124. Although the council has an Office Accommodation Strategy 2021-2031 and officers have confirmed that steps are being taken to develop Depot and Schools Asset Management Plans, there is no council-wide strategy or plan which covers all of the council's built assets and is linked to the capital investment strategy. Regular estates condition surveys are undertaken across all council owned properties to inform the capital investment strategy and prioritise capital expenditure.

125. This is reflected in an audit recommendation in the Best Value thematic management report, at [Appendix 1](#), which says that an asset management strategy should be in place to demonstrate the right assets are in place to support delivery of services in line with priorities. This strategy should support the council's capital plans.

5. Vision, leadership and governance

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

Conclusion

Following the May 2022 local government elections, the council had a new administration until February 2023 when a new administration was agreed.

The Council has agreed changes to the council's senior leadership arrangements which will become effective on 1 April 2024.

Appropriate governance and decision-making arrangements are in place at the council.

The council plan is silent on whether council it is still working towards its target of achieving net zero carbon emissions in Dumfries and Galloway by 2025.

Following the May 2022 local government elections, the council had a new administration until February 2023 when a new administration was agreed

126. In May 2022, local government elections were held across Scotland. Forty-three councillors were elected to represent the twelve wards of Dumfries and Galloway Council. A coalition administration involving Labour, SNP, Independent and Liberal Democratic councillors and new co-leaders of the Council were appointed.

127. At the beginning of February 2023, the co-leader of the Council from the Labour Party stepped down from their role leaving the co-leader from the SNP as the leader of the administration. On 28 February 2023, the Council met to approve the 2023/24 revenue budget. Three separate budget proposals were presented to the meeting (from the SNP, Labour and Conservative groups) and the Conservative Group budget proposal was approved. As a result, the SNP leader of the Council stepped down and a special meeting of the Council was held on 7 March 2023 at which members agreed a new administration led by the Conservative Group.

The Council has agreed changes to the council's senior leadership arrangements which will become effective on 1 April 2024

128. The Chief Executive is currently supported by three directors and the Chief Social Work Officer. An interim Chief Executive had been in post prior to the previous Chief Executive retiring in December 2021. At this time the Director of Communities was appointed as a further interim appointment to the post. In April 2022 the council made a permanent appointment. The new Chief Executive, Dawn Roberts, took up the post in July 2022, moving from Cumbria County Council. Services and senior management structures are currently organised across 3 directorates (Economy and Resources; Skills, Education and Learning, and Communities) and Social Work Services.

129. A report was presented to the Council meeting held on 4 October 2023 which provided an update on the outcome of the review to reshape the council's Chief Officer structure and presented proposals for the council's future senior leadership arrangements.

130. The report highlighted that the work undertaken to inform these proposals included consultation and engagement with all Chief Officers of the council. Consultation and communication had also taken place with the Senior Leadership Team, Council Management Team, Joint Trade Unions, and meetings offered to all Group Leaders/Groups in recent months. In addition, information was collated from structures across all other local authorities in Scotland as part of a benchmarking exercise.

131. As a result of the work undertaken, the restructuring of the council management arrangements can be summarised as:

- no overall reduction in the number directorates and posts and a proposal to introduce a new Head of Children, Families and Justice Services
- directorates have revised strategic areas of business with focus on delivery of Council Plan
- structure change to realign services and functions within directorates
- stronger regulatory and governance approach
- focus to bring communities, young people, and schools closer together
- focus on the customer and modernising the experience through aligning the customer to digital and consolidation of customer contact and channels
- balance to senior leader's portfolios to achieve sustainability and high performance
- reference to the Chief Officer for the Health and Social Care Partnership within the new structure chart recognising the strength of

collaborative and partnership working between the council and NHS Dumfries and Galloway and line management responsibilities as reflected in the Integration Scheme for Dumfries and Galloway.

132. The new leadership structure will be organised across 4 directorates, Enabling and Customer Services; Economy and Infrastructure; Skills, Education and Community Wellbeing and Social Work Services. The council currently has a total of 15 Chief Officers (including the Chief Executive and directors) across all directorates and under the new leadership structure there would be a total of 16 Chief Officers, with the creation of the new Head of Children, Families and Justice Services post.

133. The report sets out the financial implications of the new leadership structure which has an implementation date of 1 April 2024, which means that the costs associated with the new structure will be incurred from financial year 2024/25 and will therefore be addressed as part of the annual updating of overall staff costs within the council's agreed budget development process. The current senior leadership structure has 15 Chief Officers with salary costs of £2.018 million (including on-costs) and the cost of the new senior leadership structure includes 16 Chief Officers with salary costs of £2.381 million (including on-costs). The revised arrangements remove the need for a further existing senior post (with a current budget of £0.108 million including on-costs) so the increase in cost associated with the revised arrangements is £0.155 million. The effectiveness of the new arrangements will be reviewed by the Council 18 months after implementation.

Role of the Section 95 Officer

134. It is good practice that the Section 95 (s95) Officer in a council reports directly to the Chief Executive and is a member of the leadership team. The council's s95 officer, who is Head of Finance and Procurement, sits within the Economy and Resources Directorate of the council and reports to the Director Economy and Resources rather than the Chief Executive. He is a member of the council's Senior Leadership Team (SLT) who meet weekly and are responsible for the strategic oversight of the organisation in support of the Chief Executive, who chairs the SLT.

135. In addition, the Head of Finance and Procurement as s95 officer has accountability, and as a statutory officer reports, to the Chief Executive through regular (monthly) statutory officer meetings. The s95 officer also provides advice to all members directly. Reports authorised by the s95 officer are brought direct to the relevant committees and advice issued direct by him to members in relation to his responsibilities. Under the new senior leadership structure, the s95 officer will be known as the Chief Financial Officer to reflect the importance of the role and its status.

Appropriate governance and decision-making arrangements are in place at the council

136. 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.

137. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate and effective. The council has a local code of corporate governance. The local code follows the seven principles set out in the CIPFA /SOLACE Delivering Good Governance in Local Government: Framework 2016 and the annual governance statement sets out how the council demonstrates compliance with the seven principles.

138. The council's Audit, Risk and Scrutiny Committee is an important aspect of its overall governance arrangements. One of the Committee's key responsibilities is to have oversight of the development of the annual governance statement which is informed by annual council officers' self-assessment against the council's corporate governance framework. The annual governance statement provides details of future improvements to the governance framework, one of which includes a review of the council's local code of corporate governance during 2023/24.

The council has declared a climate emergency and has a climate change strategic plan. But the Council Plan is silent on whether council it is still working towards its target of achieving net zero carbon emissions in Dumfries and Galloway by 2025

139. The council declared a climate emergency on 27 June 2019. At the same time, it set out a 12-point plan to achieve an ambitious area-wide - Dumfries and Galloway as a whole, not just the council - net zero carbon emissions target by 2025. This was the most ambitious target set by a Scottish council.

140. In 2021, the council published its climate change strategic plan - *The Route Map for Carbon Neutral in Dumfries and Galloway*. This set out priorities for carbon reduction, e.g., large-scale switching to electric vehicles. Also included was an extensive list of quantified actions to reduce carbon emissions in areas such as agriculture, council buildings, transport and waste.

141. There are no references to the target for Dumfries and Galloway to achieve a net zero carbon status by 2025 in either the Council Plan 2023-28 or the annual delivery plan. A paper was prepared for the Council meeting on 28 February 2023 setting out proposed alterations to the draft council plan resulting from a consultation exercise. This included a number of comments around putting more emphasis on climate change and giving greater prominence to the principles, which were actioned. The first of the four Council Plan principles is "Safeguard Our Future" and is made up of two elements:

- **Address the climate emergency:** urgently respond to climate change and transition to a carbon neutral region
- **Protect our natural capital:** protecting and enhancing our region's natural capital and habitats through conservation and sustainable development.

142. The strategic outcomes most directly related to climate change sit under the 'Travel, connectivity and Infrastructure' theme and are:

- sustainable travel in the region contributes to net zero
- the council is a low carbon organisation.

143. In response to an audit recommendation in the Best Value thematic management report, [Appendix 1](#), the Director Economy and Resources explained that the council's Cross Party Working Group on Climate Change meets regularly. It was agreed that future reporting and updates to committee will reflect their recommendations and considerations. As part of these discussions the future targets for net zero emissions and actions – working with regional and national partners – will be re-established and recommendations brought to committee for consideration.

The council has adequate cyber security arrangements in place

144. The council recognises cyber security in its corporate risk register, this is reviewed regularly by the Audit, Risk and Scrutiny Committee. A number of controls are in place in relation to addressing this risk. The council has a partnership with National Computer Centre (NCC) who monitor and manage the network 24/7 including devices with access to information and traffic on the network. A number of other services are provided by NCC group in relation to cyber security and the prevention and response to incidents:

- Cyber Threat Monitoring Sensor Solution (CTM), this is a service provided by NCC group to monitor and address cyber security threats
- Cyber Incident Response Retainer which is in place with NCC group. This retainer agreement gives the council access to NCC's specialist services in the case of a cyber incident
- Cyber Security and Consultancy and Testing - through this agreement NCC provide a number of services such as network security testing. This includes a network security assessment, where NCC's specialists simulate the access a threat actor may be able to achieve should they undertake a concentrated and professional attack against the council's systems.

145. Business Technology Solutions (BTS) also have a service Business Continuity Plan in place which is updated and reviewed throughout the year. In addition to this a Disaster Recovery Plan is also in place which runs alongside the Business Continuity Plan. We did not identify any issues with the council's arrangements for managing and mitigating cyber security risks.

The register of interest for each elected member should be updated on an annual basis

146. Our review of the register of interest for each elected member on the council website noted that, in some instances, the most recent update to the register was in 2017. The Monitoring Officer confirmed that elected members

are contacted annually and requested to check their register of interest and either confirm it is correct or advise whether any amendments are required. A nil response is taken as acknowledgement that the published register of interest is current, although the relevant registers are not updated to show that there has been no change. During the course of the year elected members will notify the Monitoring Officer of any changes they wish to make to their register of interest, which is generally updated on the date the Monitoring Officer has been notified of the change.

Recommendation 6

The council should update the register of interest for each elected member on an annual basis, even if there have been no changes advised, to confirm all registers of interest are up to date.

6. Use of resources to improve outcomes

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

Conclusions

Service performance is reported to elected members twice yearly. Work is now in progress to use a more focussed suite of indicators to report progress against its strategic outcomes.

The annual 2022/23 service performance reports show that the council was on track to achieve many of its performance targets.

The council's overall performance, taken from the Local Government Benchmarking Framework (LGBF), that does not reflect council priorities, shows 47 per cent of service indicators improving over time. While 40 per cent of national indicators are in the top two quartiles of councils for 2021/22, this has fallen from 56 per cent, showing the rate of service improvement has slowed compared to others.

Given the difference between the local performance reporting based on local priorities and the national data it is important that the LGBF data is now analysed and put into context for members. This should show how the council performs overtime and compares to others to help identify areas for focus and where lessons could be learned from other councils.

The leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement

147. The Best Value section of this report concludes that the council's leadership demonstrate a collective commitment to Best Value, through self-evaluation and support for continuous improvement. However, LGBF data is not discussed with elected members to show how the council compares to others, how lessons could be learned and to prioritise improvement actions more effectively.

148. The [Best Value Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering its strategic priorities.

149. A self-evaluation framework, based on PSIF, is used by the council for service review. It has most recently been used within governance and assurance and roads. The roads review led to the Council approving an additional £30 million funding for the service over the next five years. Officers are currently refreshing the service review toolkit which will see an increase in data analysis, in line with the 'results' section of the PSIF. Now that the new service business plans are in place the council will reintroduce its programme of PSIF assessments later in 2023.

The annual 2022/23 service performance reports show that the council was on track to achieve many of its performance targets

150. Progress against the council's 446 KPIs within end of year performance reports for 2022/23 in respect of service business plans reported to the relevant service committees in June 2023 is shown in [Exhibit 5](#). Of the 338 indicators that could be reported on, 74 per cent are on target, 6 per cent are within acceptable limits and 20 per cent are off target.

151. Audit analysis of the end of year performance reports for 2021/22 presented to the relevant service committees during the period September to November 2022 noted similar results to 2022/23. Of the 317 indicators that could be reported on for 2021/22, 75 per cent were on target, 9 per cent were within acceptable limits and 16 per cent were off target.

152. Although the information shown in [Exhibit 5](#) is reported to individual service committees, a summary performance report is not presented to elected members or made available to the public to provide an overall view of how the council is performing. We have made a recommendation in relation to public performance reporting in the Best Value section of this report.

Exhibit 5 Performance information for 2022/23

Service	On track	Target not met but within acceptable limits	Target not met and outwith acceptable limits	Data Only (baseline being established)	No data available*
Community Services	13	-	2	6	3
Economy and Development	35	1	9	8	11

Finance and Procurement	19	4	2	-	2
Education and Learning	44	8	24	2	6
Social Work	14	-	4	11	17
People and Transformation	19	-	1	1	4
Neighbourhood Services	48	2	8	-	8
Roads and Infrastructure	23	1	4	8	12
Governance and Assurance Service	28	1	12	-	6
Assessor and Electoral Registration Officer	7	2	3	-	3
Total	250	19	69	36	72

Source: Dumfries and Galloway Council Heads of Service End of Year Performance Reports (1 April 2022 – 31 March 2023) Business Plans 2019/2023 Performance to Service Committees

* Includes a number of LGBF indicators for which the latest data relates to 2021/22.

153. The end of year performance reports contain an appendix which explains why the indicators in [Exhibit 5](#), are off target and highlights improvement actions, which provides information for scrutinising progress in the delivery of the service business plans by the relevant service committee for each of the council's services. Areas identified for improvement include:

- Percentage of pupils gaining 5+ awards at level 6 was 36 per cent against a target rate of 40 per cent
- School Exclusion Rates for Looked After Children (LAC) per 1,000 pupils was 91.3 per cent against a target rate of 77.8 per cent
- Number of homeless applications received where someone has been a looked after child by the council less than 5 years ago was 35 applications against a target of 30 applications
- The average time (weeks) to deal with local planning applications during the year was 14.1 weeks against a target of 10.3 days

- The number of higher risk food premises inspected by Environmental Health was 281 premises against a target of 670 premises.

154. Areas of good or improving performance include:

- The number of successful interventions on tenancy evictions which prevent homelessness was 209 interventions against a target of 100 interventions
- The number of visits to/usages of Council operated museums and galleries in Dumfries & Galloway was 153,955 against a target of 140,000
- Homeless households who have been permanently rehoused as a percentage of all social rented lets was 50.2 per cent against a target of 30 per cent
- The average time (weeks) to deal with major development planning applications was 30.79 weeks against a target of 35 weeks
- The number of new, small and medium sized businesses identified given advice and supported by Trading Standards and Environmental Health to ensure legal compliance in their trading activities was 142 businesses against a target of 100 businesses
- Proportion of school leavers entering positive destinations was 95.9 per cent against a target rate of 95 per cent.

The council's overall performance, taken from national benchmarking data, shows an improving position year-on-year for 47 per cent of the service indicators

155. The Accounts Commission's [Local Government in Scotland Overview 2023](#) says that councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources.

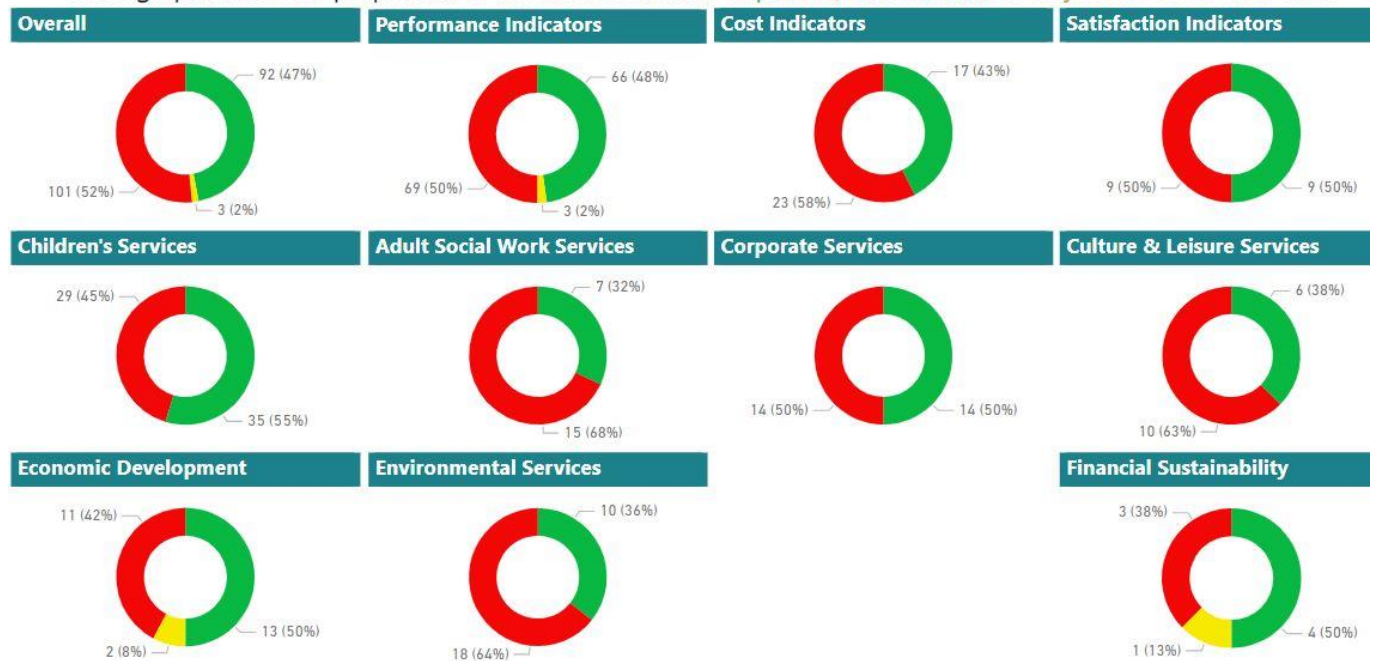
156. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. In analysing the LGBF data it is recognised that local policy choices about council services and strategic priority areas and the different context in which councils operate will have an impact on the results.

157. The 2021/22 LGBF data on the council, published by the [Improvement Service](#) in early 2023, shows that 47 per cent of the council's indicators have improved over time. [Exhibit 6](#) overleaf shows the council's 2021/22 LGBF performance across services when compared with the relevant data's base year. Based on the indicators within each service area, the council shows an overall improving position over time for just under half of the indicators.

Exhibit 6

Dumfries and Galloway Council LGBF results – trend since base year

These graphs show the proportion of indicators that have **improved**, **deteriorated** or **stayed the same** over time.

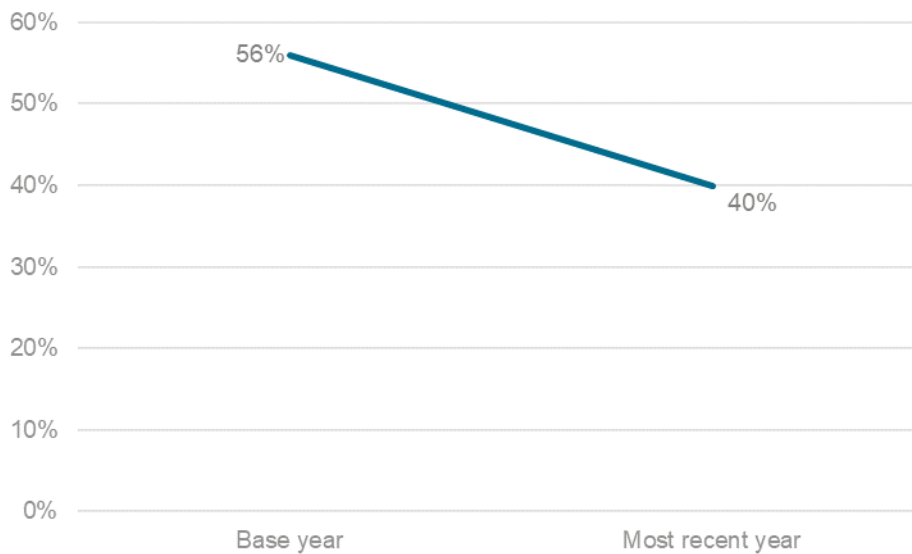


Source: Improvement Service – LGBF 2021/22

158. In the thematic report we reported that the LGBF data is discussed by officers but not with elected members. We recommended that officers should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements (see [Appendix 1](#)). Management agreed with this recommendation and will address this by the end of March 2024 after the 2022/23 LGBF data has been published by the Improvement Service.

While 40 per cent of national indicators are in the top two quartiles of councils, this has fallen from 56 per cent, showing the rate of service improvement has slowed compared to other councils

159. Of the 196 indicators reported in the 2021/22 LGBF data that are relevant to the council, 92 (47 per cent) of these have improved for the council since the base year. However, the number of indicators in the top two quartiles has decreased from 56 per cent in the base year to 40 per cent in 2021/22 ([Exhibit 7](#) overleaf). These results indicate that whilst the council's overall performance year-on-year has improved in some areas, its performance has improved more slowly than other councils over this period.

Exhibit 7**Proportion of LGBF indicators in the top two quartiles from the base year to 2021/22**

Source: Improvement Service – LGBF 2021/22

160. Dumfries and Galloway Council should use the LGBF data alongside its engagement with its communities to assess its local performance and priorities. The performance of the council could also be compared with neighbouring or similar councils to assess the effectiveness of its investment in priority areas and to inform and identify where improvements and better outcomes for its communities can be achieved.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. DRC valuation assumptions</p> <p>For the other land and buildings revalued in 2022/23 using the depreciated replacement cost (DRC) method, the valuer has included finance costs in accordance with the Royal Institute of Chartered Surveyors (RICS) guidance. However, the Code of Practice for Local Authority Accounting in the United Kingdom (the Code) states that finance costs should be excluded from DRC valuations.</p> <p>Risk: Other land and buildings may be materially misstated.</p>	<p>The council should further discuss the inclusion of finance costs in the DRC valuations with its valuer.</p> <p>Paragraph 23, Exhibit 2 – Point 2</p>	<p>Officers will request that finance costs are removed from 31 March 2024 and future DRC valuations in line with the CIPFA Code of Practice.</p> <p>Corporate Landlord March 2024</p>
<p>2. Management commentary disclosures</p> <p>The Code of Practice for Local Authority Accounting in the United Kingdom (the Code) recommends that the management commentary that accompanies the annual accounts includes a balanced and comprehensive analysis of service performance and a description of the principal financial and non-financial risk faced by the council during the year. However, the disclosures management commentary in the council's 2022/23 annual accounts do not fully address these recommendations.</p>	<p>The council should review its management commentary within the 2023/24 annual accounts to include:</p> <ul style="list-style-type: none"> expanded service performance disclosures which meet the requirements of the Code, including the insertion of key performance indicators for non-financial performance details of both the financial and non-financial risks facing the 	<p>Commentary for the 2023/24 accounts will be prepared in accordance with the Code of Practice for Local Authority Accounting in the UK and addressing the points noted.</p> <p>Business Intelligence Manager May 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Risk: The council's management commentary does not provide a fair and balanced picture of its performance and operational activity for the year as recommended by the Code.</p>	<p>council as set out in the council's risk register.</p> <p>Paragraph 37</p>	
<p>3. Annual governance statement</p> <p>The assurance process for the annual governance statement included in the annual accounts could be improved through the completion of year-end certificates of assurance from directors and heads of service for review by the Chief Executive as part of the production of the annual governance statement.</p> <p>Risk: Significant governance disclosure issues may not be highlighted in the annual governance statement.</p>	<p>Year-end certificates of assurance from directors and heads of service should be completed for review by the Chief Executive as part of the production of the annual governance statement.</p> <p>Paragraph 38</p>	<p>We are preparing a draft Certificate of Assurance to be issued to Heads of Service to certify in advance of the final submission of the Annual Governance Statement (2023-24) and review by the Chief Executive. A statement to that effect will be inserted into the Annual Governance Statement and the Certificates appended to provide that assurance.</p> <p>Head of Governance and Assurance</p> <p>May 2024</p>
<p>4. Public performance reporting</p> <p>In 2022/23, the council did not report to elected members or the public a summary of its performance against its own priorities. In addition, it did not produce a public report on its performance over time or performance compared to others in the LGBF.</p> <p>Risk: The council is not fully complying with SPI direction in relation to public performance reporting.</p>	<p>The council needs to improve its public performance reporting by:</p> <ul style="list-style-type: none"> • providing a summary of performance showing how many indicators relating to its own priorities are improving, deteriorating or staying the same • ensuring members of the public can access its tailored LGBF analysis • ensuring its public performance reporting webpages have working links, are up-to-date and information can be easily accessed 	<p>Formal reporting on LGBF will be reintroduced and the performance pages on the website will be reviewed to ensure public performance reporting requirements are fully met making use of new technologies.</p> <p>Business Intelligence Manager</p> <p>March 2024</p>

Issue/risk	Recommendation	Agreed management action/timing
	<ul style="list-style-type: none"> ensuring service self-assessments and service reviews are more accessible on its website ensuring there are links to the results of audit and inspection reports on the council together with the council's response to these. <p>Paragraph 78</p>	
<p>5. NFI activity</p> <p>The council has not been adequately proactive in investigating matches and reporting the outcomes of NFI activity to elected members.</p> <p>Risk: The council might be missing opportunities to identify overpayments and discounts awarded incorrectly on a timely basis.</p>	<p>The council should prioritise investigation NFI matches and reporting the outcomes of NFI activity to elected members on a regular basis.</p> <p>Paragraph 97</p>	<p>Internal Audit are taking on responsibility for co-ordinating the Council's response to NFI in November 2023. An update will be provided to Committee in February 2024.</p> <p>Chief Internal Auditor November 2024</p>
<p>6. Registers of interest</p> <p>Although elected members are contacted annually to confirm their register of interest is correct or advise of any amendments, a nil response is taken as acknowledgement that the published register of interest is current and the relevant registers are not updated to show that there has been no change.</p> <p>Risk: A potential related party is not disclosed in an elected member's register of interest.</p>	<p>The council should update the register of interest for each elected member on an annual basis, even if there have been no changes advised, to confirm all registers of interest are up to date.</p> <p>Paragraph 146</p>	<p>This recommendation is accepted and will be actioned. An update will be completed by 31 December 2023 and thereafter the annual process which normally takes place in April (during the preparation for the final accounts) will comply with the recommended course of action.</p> <p>Democratic Services Manager 31 December 2023 (April annually thereafter)</p>

2022/23 recommendations from the BV thematic management report

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance management</p> <p>The planned performance reporting framework should now be progressed to monitor service performance and delivery of its priorities.</p> <p>Key to the achievement of the priorities and outcomes in the Council Plan will be the detailed service business plans that sit beneath this. These are due to be approved in August 2023¹.</p>	<p>The measurement framework to assess the impact of progress on agreed outcomes needs to be put in place and progress reported regularly to elected members.</p> <p>The service delivery plans should:</p> <ul style="list-style-type: none"> • Provide a clear link to the council's agreed outcomes. • Include an improvement action plan and measurable targets. • Align with the financial and workforce position of the council. • Be subject to regular review and update. • A balanced view of progress should be reported regularly to members. 	<p>A report is planned for Full Council in October 2023² with proposals for a focussed suite of measures for the Council Plan, based on published evidence and aligned to the agreed Council Plan strategic outcomes.</p> <p>The CMT will oversee a quarterly review of progress across activity within the annual delivery plan and ensure any actions or follow up required is undertaken throughout the year.</p> <p>The review of the first quarter data and progress is scheduled for CMT in August 2023³. Regular six monthly progress reports will be presented to service committees through 2023/24 service business plans performance reporting from November 2023.</p>

¹ The service plans for 2023/24 were presented to service committees in August and September 2023, see paragraph 58

² This date has now been revised to early 2024

³ This was reported on 30 August 2023, see paragraph 57

Director Economy and
Resources

6 October 2023

2. Climate change target

The council declared a climate emergency on 27 June 2019. At the same time, it set out a 12-point plan to achieve net zero carbon emissions target by 2025.

However, there are no references to the target for Dumfries and Galloway to achieve a net zero carbon status by 2025 in either the Council Plan 2023-28 or the annual delivery plan.

There is a risk that without clear targets the council will not meet the net zero emissions target by 2025.

The council should clearly set out its net zero emissions target and how it plans to achieve it.

The Council's Cross Party Working Group on Climate Change meets regularly and future reporting and updates to Committee will reflect their recommendations and considerations.

As part of these discussions the future targets for net zero emissions and actions – working with regional and national partners – will be re-established and recommendations brought to Committee for consideration.

Director Economy and
Resources

31 March 2024

3. Asset management strategy

An asset management strategy should be in place to demonstrate the right assets are in place to support delivery of services in line with priorities. This should support the council's capital plans.

The council should introduce an asset strategy and plans to demonstrate that it has the right assets in place to support the delivery of services.

The Council will develop an Asset Management Plan (AMP) for all built assets.

Survey data is scheduled to be complete by August 2023 which will inform the development. Following completion of the surveys a programme of engagement and discussion will take place with Council services to gather further information and data. The intention is for this to complete by February 2024.

Thereafter the AMP will be prepared and

presented to Committee for approval.

Property, Estates and Programme Manager

30 June 2024

4. Monitoring capital projects

Reports to members on the capital programme show cost information and a general narrative on the projects but there is no reporting of planned project completion timelines.

As well as cost information, reports to members on the capital programme should show progress against planned project timelines.

All Quarterly Asset Class Monitoring Reports to Service Committee will include an additional appendix showing progress against planned project timelines from financial year 2023/24. The Quarterly Monitoring Reports presented to the Finance, Procurement & Transformation Committee will reflect similar information for agreed priority projects. Arrangements will be issued by the Head of Finance & Procurement to support this.

Head of Finance and Procurement

31 August 2023⁴

5. Workforce planning

A council-wide Workforce Plan covering the period 2019-2022 was developed and a People Strategy covering the period 2021-2026 was approved November 2021. However, they have not been reviewed to

Both the council-wide Workforce Plan and People Strategy should be updated to align with the Council Plan 2023-28.

The Council's People Strategy has been updated to align with the new Council Plan.

Workforce Plans are already being refreshed and these will be

⁴ Capital programme monitoring reports have been updated in line with the recommendation, see paragraph 91

ensure alignment with the new Council Plan priorities.

presented to members later this year.

Head of People and Transformation

30 November 2023⁵

6. LGBF reporting

The council has not produced LGBF reports for elected members for the last few years. In March 2023, when the 2021/22 LGBF data became available, the council sent an email to all elected members to draw their attention to it, highlighting the newly improved online LGBF dashboard with detailed indicator level analysis. However, it did not include narrative on why the council's own performance might differ from other councils.

The council is missing opportunities to identify areas for improvement from LGBF data.

The council should provide annual LGBF reports to elected members which include narrative on why the council's own performance might differ from other councils and how it could learn and make improvements.

The detailed briefing reports provided to Elected Members on LGBF pre pandemic will be re-instated for the 2022/23 LGBF publication.

LGBF comparison is being utilised as part of budget development and change and savings development and is informing programmes of work.

Director Economy and Resources

By 31 March 2024 – LGBF next publication

⁵ This date has now been revised to early 2024.

Follow-up of prior year recommendations made by Grant Thornton in the 2021/ 22 External Audit Report

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Council Plan Delivery</p> <p>The council has provided regular updates to full Council on performance against the Council Plan. The detail of performance is</p>	<p>The council should ensure that performance of the Council Plan is published on the performance section of its website on a regular and timely basis to</p>	<p>Ongoing</p> <p>This is reflected in our reporting on performance</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>published within full Council agenda packs and meeting minutes however, the Council should ensure that performance of the Council Plan is published on the performance section of its website on a regular and timely basis to ensure transparency for stakeholders.</p>	<p>ensure transparency for stakeholders.</p> <p><u>Original Management Response:</u></p> <p>Agreed</p> <p>Action owner: Head of People and Transformation</p> <p>Timescale for implementation: December 2023</p>	<p>management and public performance reporting.</p>
<p>b/f 2. Council Plan</p> <p>The Council should establish performance monitoring for delivery of its new Council Plan to provide for transparency of reporting on delivery and appropriate measures.</p>	<p>The Council should establish performance monitoring for delivery of its new Council Plan to provide for transparency of reporting on delivery and appropriate measures.</p> <p><u>Original Management Response:</u></p> <p>Agreed</p> <p>Action owner: Director Economy and Resources</p> <p>Timescale for implementation: March 2023</p>	<p>Complete</p> <p>The annual delivery plan that sets out the actions to deliver the Council Plan 2023-28 strategic outcomes during 2023/24 was approved at the meeting of the Council on 30 March 2023.</p> <p>This is discussed further in our reporting on performance management.</p>

Dumfries and Galloway Council

2022/23 Annual Audit Report

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