

West Dunbartonshire Council

Proposed 2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Members of West Dunbartonshire Council and the Controller of Audit

9 November 2022

Contents

Key messages	3
Introduction	5
1. Audit of 2021/22 annual accounts	8
2. Financial management	20
3. Financial sustainability	29
4. Governance and transparency	36
5. Best Value	39
Appendix 1. Action plan 2021/22	45
Appendix 2. Wider audit dimension risks	48
Appendix 3. Summary of 2021/22 national performance reports and briefing papers	50

Key messages

2021/22 annual accounts

- 1** Our audit opinions on the annual accounts of the council, its group and its section 106 charities administered by the council are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2** The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.
- 3** A number of errors were identified in the accounting for non-current assets. While the errors have been corrected, procedures need to be improved to ensure the accuracy of the non-current asset figures in the 2022/23 annual accounts, before they are approved for audit.

Financial management

- 4** Financial management is effective and the council operated within budget in 2021/22. Elected members receive regular updates to ensure they are kept up to date with the impact on services.
- 5** The Covid-19 pandemic continues to have a significant impact on the council's finances. The use of two new Scottish Government financial flexibilities added £1.454 million of income on top of £4.488 million of direct unearmarked Covid-19 funding. At 31 March 2022, £3.445 million of Covid-19 funding was unspent for use in future years.
- 6** The council's outstanding loans total £578.408 million. Recent interest rate rises may present a longer-term risk for the council.
- 7** A trend of significant levels of delay to capital projects continues, with 42% of planned capital expenditure slipping beyond milestones, although the impact of the pandemic was a significant factor.
- 8** The innovative Clydebank district heating network is operational, funded by a significant investment from the council and managed by its own green energy company

Financial sustainability

- 9** The budget for 2022/23 is £252.394 million, with a range of cost-saving measures used to close a budget gap of £5.508 million.
- 10** The council faces significant financial challenges in the years ahead, with the estimated budget gap growing to £19.849 million by 2024/25. Total usable net reserves have decreased by £5.158 million.
- 11** Transformational change aligned with effective medium and longer-term planning is required to address the impacts of the Covid-19 pandemic together with growing inequalities, cost-of-living pressures, and the changing needs of citizens.

Governance and transparency

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

Best Value

- 14** The council has made good progress in demonstrating improvement in its services, but the capital programme continues to fall behind as a result of the pandemic.
- 15** Residents' satisfaction with council services overall is high, but performance indicators show challenges in tackling sickness absence levels, empty council homes and recycling.
- 16** The council has a climate strategy and action plan to address the challenge of reaching net zero by 2045. Service performance levels in 2021/22 were in line with agreed targets.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of West Dunbartonshire Council (the council) and its group.
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the 2 March 2022 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.

Adding value through the audit

3. We add value to the council through the audit by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

Responsibilities and reporting

4. 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.
5. 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. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

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

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

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

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

Auditor Independence

11. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2021/22 audit fee of £280,840 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Audit appointment from 2022/23

13. The Auditor General for Scotland is responsible for the appointment of external auditors to central government bodies. 2021/22 is the last year of the current appointment round.

14. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Mazars will be the appointed auditor for West Dunbartonshire Council. We will work closely with the new auditors to ensure a well-managed transition.

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

16. There are several significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

17. We would like to thank members, Audit Committee members, management and other staff, particularly those in finance, for their co-operation and assistance over the past six years.

1. Audit of 2021/22 annual accounts

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

Main judgements

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

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

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

Our audit opinions on the annual accounts are unmodified

18. The accounts for the council and its group for the year ended 31 March 2022 were approved by the Audit Committee on 09 November 2022. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance

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

The annual audit report and accounts were submitted in line with our agreed audit timetable

20. Submission dates for the audited annual accounts and the annual audit report for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. As the audit team were aware that Covid-19 would have an impact on the staff resources available and delays in receiving some supporting documentation, we agreed to work to the revised submission deadlines of 30 November 2022.

21. The unaudited annual report and accounts were received in line with our agreed audit timetable on 30 June 2022. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit.

There were no objections raised to the annual accounts

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

Our audit testing reflected the calculated materiality level of £5.418 million

23. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

24. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. These materiality levels were reported in our Annual Audit Plan presented to the Audit Committee in March 2022. On receipt of the unaudited 2021/22 annual accounts we recalculated our materiality levels based on the financial results for the year ended 31 March 2022. Our audit approach and testing were adapted to reflect the recalculated materiality levels in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Council	Group
Overall materiality: This is the figure we calculated to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2022.	£5.418 million	£5.444 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£2.709 million	£2.722 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 4% of planning materiality.	£0.215 million	£0.220 million

Source: Audit Scotland

We have significant findings to report on the audited annual accounts

25. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. We have reported a number of issues from the work done on the identified risks of material misstatement. These are included in the action plan at Appendix 1.

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

27. The significant findings are summarised in [Exhibit 2](#). In addition to the issues set out below, and in accordance with normal audit practice, a number of presentational and disclosure amendments were discussed and agreed with management.

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Overstated value of council dwellings due to capitalisation of improvements</p> <p>Expenditure to improve council dwellings (such as kitchens, bathrooms and heating systems) had been capitalised as property, plant and equipment additions over a number of years. The total value carried on the Balance Sheet at 31 March 2022 for this category was £78.224 million.</p> <p>This accounting treatment is correct, based on these being capital enhancing works which improve the quality of the housing stock. However, the impact of these improvements was already reflected in the overall valuation of council dwellings which took place in 2020/21, and this was carried forward into the balances for 2021/22. As a result, the total value of the council dwellings should have adjusted when the revaluation was processed.</p>	<p>The annual accounts have been amended for both the current year and the prior year comparator.</p> <p>Once prior years and depreciation values were taken into account, this had the effect of reducing the disclosed value of council dwellings by £80.636 million.</p> <p>The council should review its capital accounting procedures, with a view to improving the systems used to record entries, compliance with accounting requirements, review processes and communication with asset owners.</p> <p>Recommendation 1 (Refer Appendix 1, action plan)</p>
<p>2. The value of property and council dwellings did not match those provided by the valuer</p> <p>The council revalues its non-current assets on a 'rolling' cycle, with each category of asset revalued at least every five years.</p> <p>Our review of the fixed asset register found that the net book values of newly-revalued assets did not match those provided by the valuer. The depreciation charges, and subsequent accounting entries, were incorrect as a result. This was because the valuation had been treated as if it occurred on 1 April 2021, when in fact it took place as at 31 March 2022.</p> <p>In addition, £35.306m of new council dwellings were transferred from assets under construction to council dwellings during the year. These were valued at cost, rather than fair value. A revaluation of these properties took place late in the audit process and resulted in a decrease of £23.206 million to the value of council dwellings.</p>	<p>The annual accounts have been amended accordingly.</p> <p>The timing issue had the effect of undervaluing assets by around £1.200 million in 2021/22. As this error had also occurred in previous years, the cumulative effect was to increase the valuation of the affected non-current assets by approximately £16.768 million.</p>

Issue	Resolution
<p>3. Misclassification of non-current assets</p> <p>Our review identified that some significant assets classified as ‘assets under construction’ were, in fact, operational. This included the new district heating energy centre in Clydebank, which has been operational since 2020/21.</p> <p>Depreciation should be charged on an asset if it can be operated as intended. Assets totalling £30.877 million required to be classified as infrastructure or land and buildings assets, and additional depreciation charges were necessary as a result.</p>	<p>The annual accounts have been amended accordingly. An additional depreciation charge of £1.466 million was made as a result.</p>
<p>4. Capitalisation of salary costs</p> <p>The unaudited accounts included approximately £4.397 million (£3.984 million in 2020/21) of employee costs which had been capitalised for the development of a number of assets, for example surveying or legal costs.</p> <p>Although this treatment is permitted under International Accounting Standard 16 (property Plant and Equipment) in specific circumstances, the related costs had not been eliminated from the income and expenditure statement. This had no effect on the overall net expenditure figure.</p>	<p>Management has made the necessary amendments in the accounts for the current and prior year figures.</p>
<p>5. Overstatement of debtors and creditors</p> <p>Our review of working papers identified that funds relating to the European Social Fund (ESF) and the Construction Industry Scheme (CIS) were double counted overstating both debtors and creditors by £2.343 million and £1.238 million respectively. We also identified an overall credit balance of £0.359 million misclassified within debtors.</p>	<p>The necessary amendments have been made in the accounts. These adjustments decreased debtors and creditors by £3.222 million, having a nil effect on net assets.</p> <p>Management should review the year-end procedures to ensure that debtors and creditors are correctly accounted for.</p> <p>Recommendation 2</p> <p>(Refer Appendix 1, action plan)</p>

Source: Audit Scotland

28. Other findings we identified:

- **Depreciation charges:** A depreciation charge is an expense representing how much of a non current asset's value has been 'used

up' in a year. Following production of the unaudited accounts, management identified that the depreciation charge on some assets was incorrect due to formula errors. This gross misstatement of £1.197 million resulted in a net increase to the net book value assets of £0.361 million.

- **Group subsidiaries:** Two of the council's subsidiaries (Clydebank Property Company and the Common Good Fund) had a balance of £7.863 million incorrectly classified as property, plant and equipment, and investments. They should have been shown as investment properties, which has implications for the way these are accounted for. This was a classification issue with a nil effect on total assets. Management have made the necessary corrections.
- **Accounting policies:** Common Good assets with a value of £3.489 million are held as investment properties, per the accounting standards these assets must be held at fair value and revalued each year. There is no accounting policy in the unaudited accounts relating to common good or investment properties. Management have now revalued these assets, which has had a negligible effect, and updated the accounting policy to revalue these assets each year.
- **Capital commitments:** A planned spend of £2 million in relation to the Scottish Marine Technology Park was not included in the capital commitments disclosures.
- **Fully depreciated assets:** Our review of non-current assets identified that fully depreciated assets are removed from the asset register and are no longer recognised in the annual accounts. This is the appropriate accounting treatment where an asset has been disposed of. However, if the council continues to use assets that are fully depreciated, they should consider whether they should be revalued and depreciated over the estimated further useful life. To identify fully depreciated assets which remain in use, management should undertake an asset verification exercise of material assets. Appropriate accounting adjustments should then be made for material assets which remain operational assets of the organisation.

29. We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan audit. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

30. Our most significant findings in 2021/22 relate to the accounting treatment of non-current assets. This area involves complex calculations and estimates which can materially alter the largest values on an organisation's balance sheet. Auditors and regulators across the public and private sectors have increased their focus on areas where more judgement is exercised, such as property valuations.

31. While the errors have been corrected, procedures need to be improved to ensure the accuracy of the non-current asset figures in the 2022/23 annual accounts, before they are presented for audit.

Recommendation 1

The council should review its capital accounting procedures for non current assets, with a view to improving the systems used to record entries, compliance with accounting requirements, review processes, and communication with asset owners.

Exhibit 3

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

Audit risk	Audit response to risk	Results and conclusions
<p>1. Risk of material misstatement due to the fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Test journals entries with a focus on significant risk areas. Evaluate significant transactions outside the normal course of business identified through audit testing of income and expenditure, accruals and cut off transactions. Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. Review accounting estimates for evidence of management bias including assessing any 	<p>Results: We assessed the design and implementation of controls over journal entry processing. No significant issues were noted.</p> <p>Management did not identify any inappropriate or unusual activity with journals or other adjustments.</p> <p>Journal adjustments were tested, and no indications of management override of controls were found.</p> <p>We reviewed transactions during the year - no issues were highlighted of significant transactions outside the normal course of business.</p> <p>Judgements and estimations applied were tested to confirm they were appropriate and reasonable.</p> <p>Conclusion: There was no evidence of management override of controls from the work we performed.</p>

Audit risk	Audit response to risk	Results and conclusions
	<p>changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	
<p>2. Estimation in the valuation of Property, Plant and Equipment</p> <p>West Dunbartonshire Council's property, plant and equipment had a net book value of £1,111,227 million as at 31 March 2021.</p> <p>There is a significant degree of subjectivity in the valuation of this category of assets. Valuations are based on specialist and management assumptions, and changes in these can result in material changes to financial disclosures.</p>	<ul style="list-style-type: none"> • Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Confirm asset values in valuation certificates are fairly reflected within the 2021/22 accounts • Review the annual cycle of valuations to ensure that assets have been valued within the five-year rolling programme. • Evaluate the approach taken to ensure that assets not subject to revaluation in 2021/22 are not materially misstated. • Assess the adequacy disclosures in the accounts covering the valuation of the property, plant and equipment. 	<p>Results: Our review of the council of the internal and external valuation team confirmed the appropriateness of the methodology and assumptions used.</p> <p>Conclusion: We have made a number of findings in relation to non-current assets which are detailed in Exhibit 2.</p> <p>Recommendation 1</p> <p>The council should review its capital accounting procedures, for non current assets, with a view to improving the systems used to record entries, compliance with accounting requirements, review processes, and communication with asset owners.</p>

Other areas of audit focus

32. We identified in our 2021/22 Annual Audit Plan areas where we considered there to be other risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we did not consider these to represent significant risks. The areas of specific audit focus were:

- The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability.
- The consolidation and disclosures for the West Dunbartonshire Energy LLP company due to this being the first year of consolidation for this entity into the council's Group.
- The loans fund holiday due to use of the Covid-19 financial flexibilities available to the council.

33. We kept these areas under review throughout our audit. We identified improvements to some of the disclosures relating to the loans fund holiday and the consolidation of the energy company:

- Following its first year of inception, the new council-owned West Dunbartonshire Energy LLP was reported in the accounts as having a net liability at 31 March 2022 of £0.397 million, funded as a working capital advance from the council. This is likely to be repaid over a number of years at a market interest rate. This capital amount of £0.397 million was accounted for a debtor in the council's accounts, however it is more appropriate to re-classify this as an investment held within non-current assets. We have commented positively on this innovative scheme in [paragraph 80](#).
- The finance circular which permitted use of capital receipts to fund Covid-related expenditure required the approval of full council. Retrospective agreement is expected to be sought for this in October 2022.

34. Management made the necessary adjustments for these issues and there are no further matters which we need to bring to your attention.

Identified misstatements of £138.610 million were adjusted in the annual audited accounts

35. We identified misstatements with a gross value of £138.610 million in the unaudited annual accounts. As the total was above our performance materiality level, we considered the need to revise our audit approach. We reviewed the nature and causes of these misstatements to consider the need for additional audit testing. As a result of the errors identified, we undertook additional testing in some areas to address these areas of risk.

36. Management has adjusted the accounts to correct all the misstatements. These adjustments have contributed to the total comprehensive net income increasing by £31.776 million, with a corresponding increase in total reserves. Further details of some of the more significant adjustments are included in [Exhibit 2](#).

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

37. 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.

38. 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.

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

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

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

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

42. The management commentary in the 2021/22 annual accounts provides a good analysis of the council's financial performance throughout the year. It explains how the council has performed against its budget and how this is reconciled to the financial statements. The council has also included a good level of disclosure on the principal risks it is facing going forward. This includes

details on the scale of financial challenges, including those as a result of the pandemic, which will continue to be an area of focus for the foreseeable future.

43. In our view, the 2021/22 disclosure represents a fair and balanced commentary on the council's performance in 2021/22

We have given an unqualified opinion on the financial statements for the charities administered by the council

44. 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 West Dunbartonshire Council are sole trustees, irrespective of the size of the charity.

45. West Dunbartonshire Council administer the Dr A K Glen and West Dunbartonshire Charitable Trusts, a registered charity that incorporates five trust funds. A single statement of accounts is produced each year covering the five trust funds and as at 31 March 2022 a cumulative balance of £0.262 million was held in these funds.

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

47. Our duties as auditors of the charities administered by West Dunbartonshire Council are to:

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

48. We have given an unqualified opinion on the financial statements for the charities administered by the council and have nothing to report in respect of other matters.

49. Two wider dimension risks were identified during the planning process. These related to the potential dormancy of certain charitable trusts, and the governance and investment documentation for the following charitable trusts:

- Dunbartonshire Educational Trust Scheme 1962
- McAuley Prize for Mathematics
- UIE Award

50. These trusts continue to face prolonged legal and administrative challenges in order for them to discharge their obligations, which we have

reported in previous years. The Dunbartonshire Education Trust requires a meeting of the governors appointed from four local authorities in order to formally adopt a reorganisation scheme. The McAuley Prize bequest is without governing documentation, and so requires a new trust deed. We understand that the council is seeking to agree new trustees for the UIE award, which is dormant, and a court petition is required to make a formal appointment. As a result, they are included in the agreed action plan at [Appendix 1. Action plan 2021/22](#)

51. Only one of the charitable trusts made a payments during 2021/22, which was a single award of £19,800 from the Dr A K Glen fund. Since our report last year, the council has provided further information on its website on the charitable trusts, including an application form. However, only one application was made in-year. As the appointed auditors of the Section 106 charities administered by the council, we are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes reporting any inappropriate use of funds or prolonged lack of activity - the 'public benefit' test.

52. A charity is not failing the public benefit test if they are not providing benefit in any particular year. However, if no benefit is being delivered for an extended period then the charity could be considered to be dormant. If a dormant charity has no clear plans to rectify that, it may be appropriate for us as external auditors to report this to the Office of the Scottish Charity Regulator (OSCR) [Refer recommendations CH1 and CH2 in the Action Plan.](#)

Recommendation CH1

The trustees of the charities should continue to seek a resolution to legal and administrative barriers which prevent charitable objectives being achieved. This should include taking steps to make their existence more widely known, and applications more accessible.

Good progress was made on prior year recommendations

53. The council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1.](#)

2. Financial management

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

Main judgements

Financial management is effective and the council operated within budget in 2021/22. Elected members receive regular updates to ensure they are kept up to date with the impact on services.

The Covid-19 pandemic continues to have a significant impact on the council's finances. The use of two new Scottish Government financial flexibilities added £1.454 million of income on top of £4.488 million of direct unearmarked Covid-19 funding. At 31 March 2022, £3.445 million of Covid-19 funding was unspent for use in future years.

The council's outstanding loans total £578.408 million. Recent interest rate rises may present a longer-term risk for the council.

A trend of significant levels of delay to capital projects continues, with 42% of planned capital expenditure slipping beyond milestones, although the impact of the pandemic was a significant factor.

The innovative district heating network is operational, funded by a significant investment from the council and managed by its own green energy company

The council's financial management processes are effective

54. During the 2021/22 annual budget setting process we observed that elected members were provided with projected funding gaps and savings options to enable them to make soundly based decisions on closing any funding gaps. Based on our observations of the budget setting process, we are satisfied that the council's budget setting process operates effectively.

55. Performance against budget and projected outturn was reported to members during the year through budgetary control reports, allowing action to be taken on any unplanned variances. Additionally, Covid-19 update papers at council meetings provided information on additional funding and financial pressures on services.

The council operated within budget in 2021/22, with spending tightly controlled to deliver a small surplus of £0.159 million

56. The council approved its 2021/22 budget in March 2021 (22 March 2021). The initial budget was set at £231.919 million, and was further revised throughout the year as more information on additional Covid-related funding was released. By the year-end, total budgeted expenditure had increased to £252.986 million, with £6.460 million income attributable for Covid-19 purposes.

57. The results from a previous consultation with West Dunbartonshire residents, held in 2019, were used in the 2021/22 budget setting process as the outcomes of the previous process were considered to remain valid in closing the budget gap in 2021/22. The updated budget paper presented to the Council on 23 March 2022 projected a favourable variance on the revenue budget of £0.057m (0.02% of total budget), with agreed savings of £3.212 million reported as on track to be achieved. The actual in-year surplus delivered was £0.159 million against the budget.

58. The main favourable variances against budget, particularly within corporate and education services, were due to actions such as control of staff vacancies and efficiency reviews, as well as less than anticipated demand for services.

59. The changes in the budget position were reported in revenue budget control reports presented to members throughout the year. These reports contained a good level of detail on the forecast outturn position, as well as details on the costs of Covid-19 and the funding received in support of this.

The council received £4.488 million of direct unearmarked Covid-19 funding, and administered around £14 million of agency income, to alleviate the impact of the Covid-19 pandemic on individuals, businesses and the economy

60. At the time of setting the 2021/22 budget, the council had moved on from the initial emergency response to the pandemic but was continuing to respond to unprecedented challenges to the delivery of services. Ongoing restrictions, Covid-19-related staff absences and the uncertain nature of the pandemic, for example the emergence of the Omicron variant, resulted in adaptation and disruption to service provision. The unprecedented impact on public finances of the Covid-19 pandemic has been reported in the [Local Government in Scotland Overview 2022](#).

61. West Dunbartonshire Council received £4.488 million in Covid-19 related funding in 2021/22 (£20.43 million in 2020/21), plus £1.973 million which had been carried forward from 2020/21. The council used two new financial flexibilities made available by the Scottish Government to mitigate the financial impact of Covid-19 in 2021/22. This provided a further £1.454 million of additional funding, although will come at a cost to the council in future years as loan fund payments increase. The flexibilities permit:

- capital receipts being used to finance Covid-19 revenue expenditure

- a Loans Fund repayment holiday to defer loans fund repayments due to be repaid in 2021/22.

62. A total of £3.445 million Covid funding was transferred to the council's general reserve. This will be used to manage the ongoing budget pressures resulting from the pandemic in 2022/2023 and beyond.

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

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

64. The council was responsible for administering £14.284 million of payments to various business and support grant schemes. Due to grant conditions, these business support funds are considered to represent an agency agreement. Agency payments are those paid out by the council on behalf of another organisation, in this case the Scottish Government. As such, the £14.284 million does not appear in the council's annual accounts, except for being appropriately disclosed in its management commentary.

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

66. Despite the impact of the pandemic on the economy, the council's in-year collection of council tax increased slightly from 94.18% in 2020/21 to 94.53% in 2021/22. This may be due to eased payment terms and follow-up processes to assist residents.

The housing revenue account reported an overall deficit of £4.630 million funded through a use of reserves

67. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision. As at the end of March 2022, West Dunbartonshire Council owned 10,378 housing units.

68. In March 2021, the council approved a 1.5% increase in the average weekly rent levels for tenants for 2021/22. The rent level was set to reflect the income required to fund the revenue budget of £46.168 million. In 2021/22, the council recorded a deficit on HRA services of £4.63 million which has been funded through use of reserves, which at the start of the year stood at £7.364 million. This is in line with the HRA financial plan to fund some capital from revenue to reduce the costs of borrowing.

69. The standing Council policy is that an HRA Prudential Reserve of 2% of gross expenditure should be maintained, which equates to £0.923m for 2021/22. The balance available to the HRA for future use is £2.734m.

70. Last year we noted that issues relating to the Housing Repair telephone contact centre had been reported, with tenants facing a lengthy wait to resolve problems. The council acknowledged the deterioration in service and put in place measures to alleviate this, including planned recruitment.

71. The net surplus on the housing maintenance trading account was £0.568 million from a total budget of £1.4 million. Continuous high levels of Covid-related absence, together with the national skills shortage and higher supplies costs, caused difficulties in addressing the council's repairs and maintenance backlog. The reduction in repairs and maintenance activity during the year will likely have a knock-on effect on the level of such activity required in future years.

72. In March 2021, the Council approved the Housing Capital Programme 2021-2026, with an expenditure budget of £83.393m for the affordable housing supply programme.

73. Through the Council's Strategic Housing Investment Plan, supported by the Scottish Government's Affordable Housing Programme, more than 1000 new social homes for rent were completed in West Dunbartonshire by the council and private sector partners by April 2022, including 467 new council homes. In 2021/22, the council delivered 211 new-build homes.

A trend of significant levels of delay to the council's capital projects continues, with 42% of planned capital expenditure slipping beyond milestones

74. We reported in the [Best Value Assurance Report \(June 2018\)](#) that there has been a trend of significant levels of capital slippage at the council over a number of years and recommended that the council review its project management processes and consider performing self-assessments to identify areas for improvement. In response to this recommendation the council agreed improvement actions to address the level of slippage. These actions were completed during 2018/19 and the council anticipated these would lead to improvements in the delivery of the capital programme going forward.

75. The council's overall capital programme includes a number of high-profile and ambitious projects, such as redevelopment of the ExxonMobil site in Bowling, and regeneration of Dumbarton town centre. For 2021/22, the council had a budgeted capital programme of £105.054 million split between £56.726 million for planned general services capital projects and £48.328 million for HRA capital works.

76. Total capital expenditure in 2021/22 was £64.219 million of which £33.619 million related to general services and £30.600 million to the HRA capital programme. The total in-year slippage was £44.883 million (42 per cent), with slippage of £24.958 million (44 per cent) against the general services programme and £19.925 million (42 per cent) against the HRA programme.

77. Overall, 42% of planned capital expenditure slipped beyond anticipated milestone (in 2020/21 this percentage was 34%). The pandemic was noted as being the main factor behind these reductions, with material shortages and longer lead times impacting on the supply chain.

Exhibit 6

Summary of significant under/overspends against budget

Project	Budgeted Spend in 2021/22 (£m)	Actual Spend (£m)	Slippage (£m) (%)		Explanation for slippage
General Services					
District heating network expansion	3.600	0.000	3.600	100	Network expansion to Golden Jubilee National Hospital will commence pending positive commercial discussions.
Heritage Capital Fund	2.550	0.875	1.676	66%	COVID impacted on the timescale for delivery of a number of projects including Clydebanks Town Hall, the Clydebanks Museum, and the Dalmuir Library and Gallery. Work is now underway to get these projects progressed.
Vehicle Replacement	3.042	1.442	1.600	53%	Delay due to the vehicle build time associated with the specialist vehicles and the delivery lead time from the date of supply order placement.
Schools Estate Improvement Plan	6.200	4.180	2.020	33%	As a result of COVID Skills School was rephased during 2021/22 and further costs are still expected for Renton Campus.
HRA					
New house build	20.281	7.389	12.892	64%	Due to a number of different complexities there were delays to getting on site across each of the new build sites.

Project	Budgeted Spend in 2021/22 (£m)	Actual Spend (£m)	Slippage		Explanation for slippage
			(£m)	(%)	
Projects to deliver housing strategies (Buy Backs)	1.706	1.036	.670	39%	These are subject to stringent criteria to ensure accountability and value for money for tenants and involves several key stakeholders which resulted in time delays
Doors/Windows	3.831	1.357	2.474	65%	Installations are behind original planned targets due to internal and external contractor resource issues
Building external components	4.088	2.105	1.983	49%	Resource issues has delayed the roof renewal programme which continues into 2022/23. Additional installations by support contractors is underway to assist completions

Sources: Capital spend outturn report 2021/22, West Dunbartonshire Council August 2022, West Dunbartonshire Council unaudited annual accounts 2021/22

78. It is important that the council addresses the slippage caused by the pandemic. As the impact of the pandemic eases, we would anticipate a return to pre-pandemic levels of programme delivery. In its [Local Government in Scotland: Overview 2022](#) report the Accounts Commission highlighted the important role of capital investment in councils' recovery from the pandemic.

79. In particular, there is a need for investment to be aligned with plans to tackle the impact of climate change, with modernisation of councils' estates needed to ensure carbon reduction targets are achieved.

The innovative Clydebank district heating network is now operational, run by the council's own green energy company

80. The importance of investment in this area is something the council has recognised in its Climate Change Strategy, published in January 2021, and is evident in sustainable and pioneering initiatives such as the district heating network in Clydebank, which is the first large-scale water source heat pump scheme of its kind in Scotland.

81. The council has established its own energy company, West Dunbartonshire Energy LLP, to operate and manage the system, with £0.397 million of working capital advanced from the council.

82. The council will fund £14.458 million of the cost of the system, with the Scottish Government funding £6.1million through the Low Carbon Infrastructure Transition Programme. Heat is now being supplied to council offices at Aurora House, the Titan Enterprise Centre, Clydebank Leisure Centre and the new care home at the site, Queens Quay House. Plans are in place to supply the Clydebank Health Centre, over 140 flats and retail units currently on site, all other homes planned for the site, as well as Clydebank Library and Clydebank Town Hall.

The council has high levels of debt, with outstanding loans standing at £578.408 million. Recent interest rate rises may present a longer-term risk for the council

83. In recent years we have reported the council's overall levels of debt as compared to its annual revenue, which has been among the highest levels in Scotland. In 2020/21, the ratio of net debt to revenue was 220 per cent. Using the same methodology this has now improved slightly to 217 per cent.

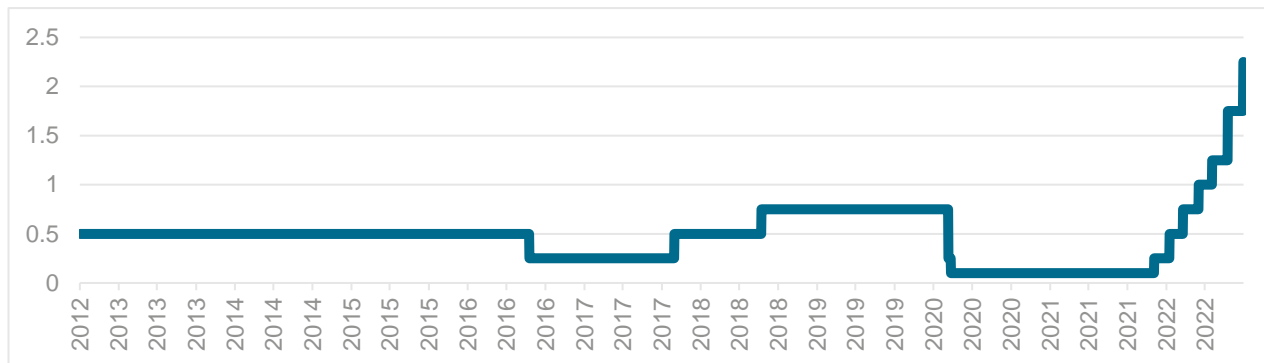
84. At 31 March 2022, the council's total outstanding borrowing stood at £578.408 million (excluding PPP debt of £92.485 million), an increase of £29.749 million on the 2020/21 level of £548.659 million. Loan repayments of £320.748 million were made during 2021/22, new loans of £350.500 million (long-term loans of £35 million and short-term loans of £315.500 million) were taken out during the year.

85. As with recent years, the additional borrowing was required to help finance the council's capital programme and short-term borrowing was used to take advantage of low interest rates.

86. We recognise that the council's borrowing figure includes debt associated with both the HRA and the council's PPP assets which not all Scottish local authorities have, and that the current cost of borrowing is at historically low levels. The significant proportion of borrowing presents a risk for the council if interest rates on debts increase. Management has indicated it intends to conduct a review of the capital programme to report in December 2022, with recommendations to reduce costs. [Exhibit 7](#) shows the scale of recent increases to the UK base interest rate since 2012.

Exhibit 7

Bank of England base interest rate since 2012



Source: Bank of England (<https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>)

Internal controls operated effectively during 2021/22

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

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

Internal audit provided a ‘generally satisfactory’ level of assurance over the council’s governance, risk management, and internal controls in place during 2021/22

89. 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.

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

91. PSIAS require the provision of an annual internal audit opinion, to inform the council’s annual governance statement. The Shared Service Manager – Audit & Fraud issued her Annual Assurance Statement to the Audit Committee in June 2022 which included the opinion that: The report concludes that the majority of West Dunbartonshire Council’s established internal control procedures operated as intended to meet management’s control requirements for each area reviewed by Internal Audit in 2021/22. The overall audit opinion was “Generally Satisfactory with some improvement needed”. The improvements required related to aspects of stock security and use of council vehicles. Management is progressing actions in line with agreed timescales.

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

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

93. 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. By the end of March 2021, 52% of matches had been actioned in relation to the 2020/21 exercise, with progress delayed due to vacancies in the internal audit service.

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

3. Financial sustainability

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

Main judgements

The budget for 2022/23 is £252.394 million, with a range of cost-saving measures used to close a budget gap of £5.508 million.

The council faces significant financial challenges in the years ahead, with the estimated budget gap growing to £19.849 million by 2024/25. Total usable net reserves have decreased by £5.158 million.

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

The budget for 2022/23 is £252.394 million, with a range of cost-saving measures used to close a budget gap of £5.508 million

95. As part of the 2022/23 budget-setting process, a report to the Council on 9 March 2022 estimated an initial budget gap of £5.508 million. A range of options were presented to close the gap. These included the use of reserves (£1.034 million), the continued use of financial flexibilities permitted to allow councils to respond to Covid (£0.700 million), a 3% increase to Council tax and a proposal to negotiate the funding split of residential child placements with the HSCP (£1.365 million).

96. The council approved a total net revenue budget of £251.064m for 2022/23 in March 2022. Since then additional funding, including Covid-related income, has been provided by the Scottish Government bringing the revised net budget to £252.394 million.

97. As at the end of July 2022, an overspend of £0.318m was projected for 2022/23 (0.13% of the total budget). Officers reported that from identified savings measures of £0.276 million, £0.251 million are on target to be achieved. A budgeted assumption to reduce residential care costs by £1.365 million – by increasing the West Dunbartonshire Health and Social Care Partnership's share of costs from 50% to 77% – requires the agreement of both parties, and has not yet been agreed.

The council faces significant financial challenges in the years ahead, with the estimated budget gap growing to £19.849 million by 2024/25

98. The budget also estimated future annual budget gaps based on a range of assumptions including future Scottish Government funding, inflation, council tax increases and interest rates. At the time of setting the budget in March 2022, projections identified expected budget gaps of £13.761m in 2023/24 rising cumulatively to £18.622m in 2024/25.

99. The Scottish Government's Resource Spending Review, published in May 2022, indicates intentions that local government funding will remain as 'flat cash', i.e. static, at current 2022/23 levels until 2025/26 with a further £100m added in 2026/27. This would mean requiring the council to absorb inflationary and pay award increases, as well as increases to energy costs. In addition, there is uncertainty over how long Covid-related funding will continue to be made available to promote recovery.

100. In June 2022, the Chief Officer – Resources presented to the council an updated assessment of the financial challenges facing the council. The assumptions underpinning the previous budget gap projections were refined. This included removing an assumption that council tax would increase by 3%, higher inflation, interest rates and pay awards, and increasing utility costs. The revised projection estimates a deteriorating position for the council, ([Exhibit 10](#)) with a mid-range scenario now projecting a £19.849 million annual deficit position by 2024/25 unless significant savings can be made.

101. The local government pay settlements for 2022/23 will add substantial pressures to the council's budgets. The council is currently considering how the increases will be funded.

Exhibit 8

West Dunbartonshire Council - Identified budget gaps 2023/24 to 2024/25 (cumulative)

Budget gap scenario	2023/24 £000	2024/25 £000
Best Case	13,636	18,709
Mid-Range	14,309	19,849
Worst Case	22,164	34,724

Source: Financial Update, West Dunbartonshire Council, 22 June 2022

102. Achieving the required savings for 2022-2025, against a backdrop of the continuing financial impact of the Covid-19 pandemic and significant inflationary cost pressures, is likely to prove challenging.

103. The council has a long-term financial strategy in place which is updated annually and was refreshed in October 2021. It reflects the impact of the pandemic on financial and service pressures, identifies budget gaps and provides clear links to the council's strategic objectives. The long-term cumulative anticipated funding gaps identified have since been reviewed and increased, as we note above.

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

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

105. This funding reduction is against the backdrop of a range of new challenges facing councils, including decisions on what services to reinstate and redesign, and to what level, following the Covid-19 pandemic. Councils across Scotland have struggled in the past to bring about the level of change that is needed to deliver public service reform, sustainable local government, and better outcomes

106. Transformation programmes, aiming to improve how councils operate, have been disrupted by Covid-19. The budgeted spend in 2021/22 for transformational programmes was £0.526m, and the actual spend as at 31 March 2022 was £0.383m. This includes investment in digital transformation within the council, automation projects and restructuring savings.

Total usable net reserves have decreased by £5.159 million

107. One of the key measures of the financial health of a body is the level of reserves held. Usable reserves are those that the council is able to apply to fund expenditure or reduce taxation, and comprise both capital and revenue reserves. The level of usable reserves held by the council decreased by £5.158 million, from £24.211 million to £19.052 million during 2021/22, as shown in Exhibit 6. This is largely attributable to the decision to fund the in-year HRA deficit through reserves in order to reduce future borrowing costs.

Exhibit 9**West Dunbartonshire Council's usable reserves**

Reserve	31 March 2021 (£m)	31 March 2022 (£m)
General fund	15.028	15.020
Housing revenue account	7.364	2.734
Capital receipts reserve	0	0.030
Capital grants and receipts unapplied	0.042	0.042
Capital reserve	1.469	0.758
Other reserves	0.308	0.468
Total usable reserves	24.211	19.052

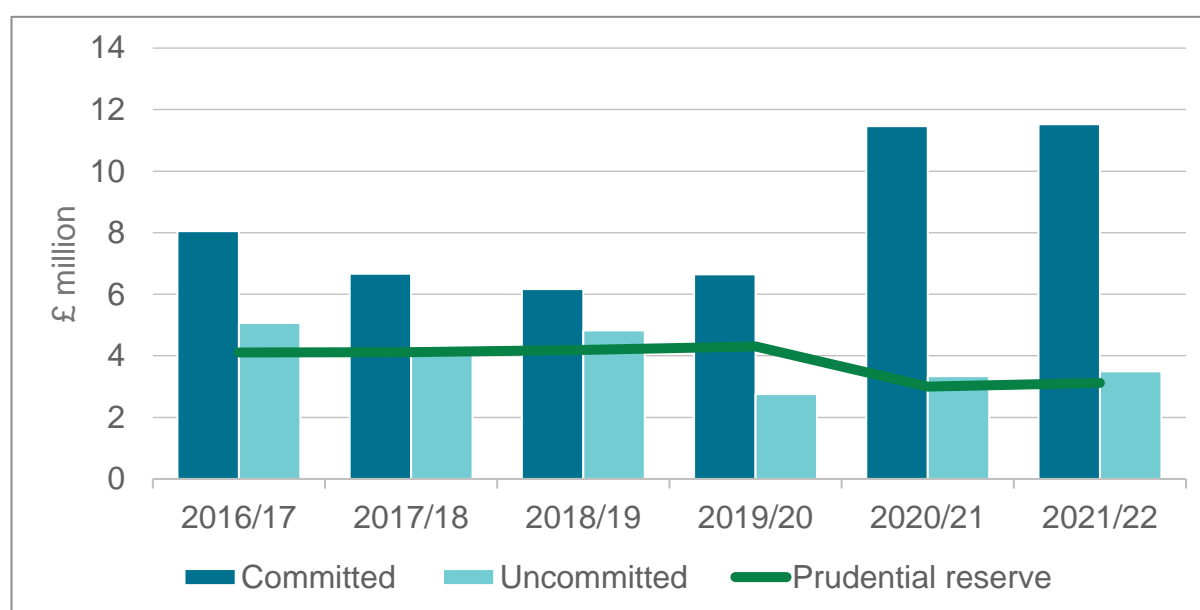
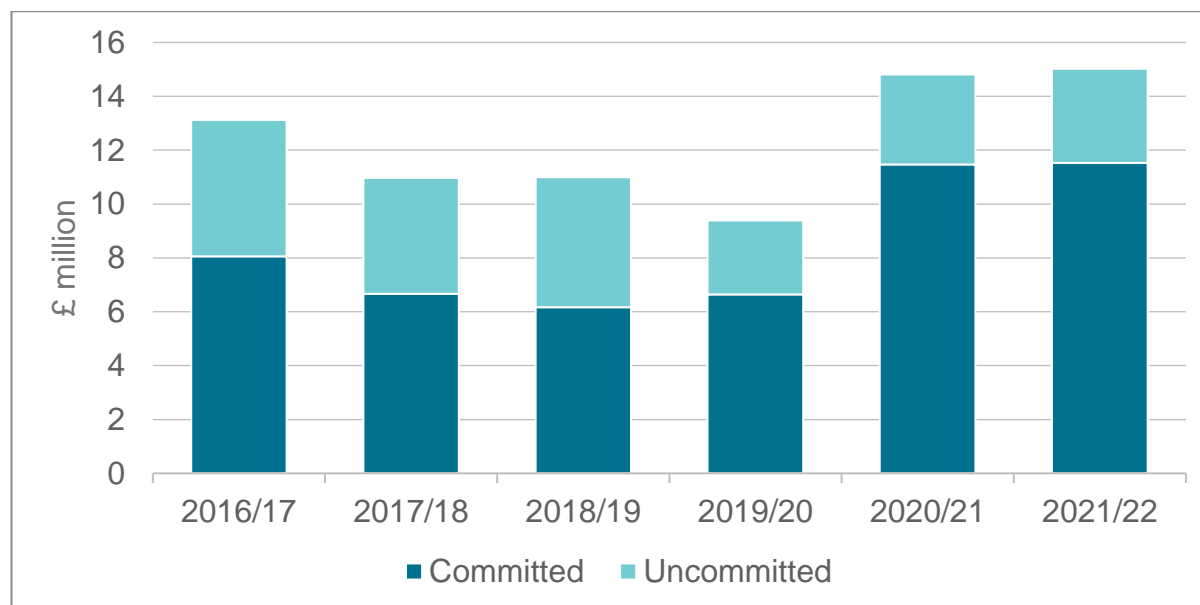
Source: Note 29, West Dunbartonshire Council Annual Accounts 2021/22

108. The council's general fund balance is £15.020m as at 31 March 2022, of which £11.517m is earmarked for specific purposes. The council's prudential reserves policy is to retain a prudential reserve of 2% of net expenditure (excluding funding requisitions to bodies such as the HSCP, Valuation Joint Board, SPT) in order to safeguard assets and protect services against financial risk. This target equates to £3.123 million in 2021/22, therefore the council has exceeded this target by £0.380 million. The overall position of the reserves was considered as part of the budget process for 2022/23.

109. General earmarked reserves have decreased by £0.174 million to £11.517 million. This includes carrying forward £6.791 of Covid-related funding to 2023/24. Exhibit 10 provides an analysis of the general fund balance over the last five years split between the earmarked and uncommitted elements.

Exhibit 10

Analysis of the general fund balance over past five years



Source: West Dunbartonshire Council Annual Accounts 2016/17 to 2021/22

110. Consideration of the wider context in which the council is operating in helps to explain higher reserves balances in the past two years. The Accounts Commission's [Local Government in Scotland: Overview 2022](#) report highlighted that the increase in 2020/21 revenue reserves across most councils was largely because of additional Covid-19 funding. The Commission recognised that this funding had artificially inflated reserve positions, with councils unlikely to have flexibility in the use of large elements of these reserves. This is evident from review of the council's total usable reserves, with Covid-19 earmarked monies equating to 45.2% per cent (£6.791 million) of the total general fund reserve.

111. There are ongoing sustainability challenges of using reserves to fund recurring expenditure, particularly as recovery and renewal from the pandemic is progressed. The reserves accumulated in recent years may provide the council with the opportunity to re-shape services to support sustainability going forward. Beyond that, difficult decisions will need to be taken in the future, with effective management of the council's reserves key to maintaining financial sustainability.

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

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

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

114. West Dunbartonshire Council provided a formal response to the consultation through the adoption of a response developed by Convention of Scottish Local Authorities (CoSLA) and supplemented by the advice of the council's chief officers. The response, agreed in November 2021, raised the concern that "transformative change will not be achieved through the primarily structural change that the consultation is proposing but by taking action now to tackle the underlying causes of challenge".

Intention to abolish charges for non-residential care

115. At the June 2022 council meeting, a motion was passed with an intention to abolish £1.5 million of non-residential care charges. The aim was that West Dunbartonshire HSCP would cover this loss of income from the HSCP's unearmarked reserves. At a subsequent meeting of the HSCP, voting members were unable to agree on funding. The issue now lies with the Chief Executives of the Health Board and the Council as per the Integration Scheme dispute resolution process.

The council's allocation from the Scottish Attainment fund is set to reduce to £0.851 million by 2025/26

116. The council's annual Scottish Attainment Challenge (SAC) allocation is due to reduce from £2.043 million in 2021/22 to £0.851 million in 2025/26. This presents a challenge for the council in continuing to support improvements in attainment levels for learners.

117. The money provided from the Attainment Scotland Fund since its launch 2015 has been targeted at supporting pupils in the nine local authorities of Scotland with the highest concentrations of deprivation. It aims to achieve equity in education through ensuring every child has the same opportunity to succeed, with a particular focus on closing the poverty-related attainment gap.

118. In November 2021, the Cabinet Secretary for Education and Skills set out to Parliament plans for SAC for 2022/23 to 2025/26. The allocations will taper over four years towards a fully equitable distribution in 2025/26, ensuring children and young people are supported across the country. The impact of this on West Dunbartonshire Council is that its annual SAC allocation will reduce to £1.745 million in 2022/23, with further gradual reductions to £0.851 million in 2025/26. This presents an additional challenge for the council in continuing to support improvements in attainment levels across West Dunbartonshire.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

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

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

Following the May 2022 local government elections, West Dunbartonshire Council has a new administration

119. Following the local government elections in May 2022, 22 members representing the six multi-member wards were elected across West Dunbartonshire. The political composition is as follows:

- Scottish Labour Party – 12
- Scottish National Party – 9
- West Dunbartonshire Community Party – 1

120. In May 2022, at the first meeting of the new council, a Labour-led administration was put in place succeeding the Scottish National Party who led the council in the preceding five years. The established governance structure has been maintained by the new administration.

The council has a comprehensive training programme to support new and returning councillors

121. Eleven new councillors were elected to the Council at the local government elections in May 2022, with eight of those new members having never served before. To support these new members, and continuing members, the council provided a comprehensive induction programme which included seminars and briefings on members' key roles and responsibilities as councillors. Tailored training was also provided to members based on their specific responsibilities, such as for those sitting on the Licensing Board.

122. The council has also adopted the Continuing Professional Development Framework, developed by the Improvement Service, for elected members to provide feedback about their performance, and provide them with personal and professional development opportunities.

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

123. Elected 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 and for monitoring the adequacy and effectiveness of these arrangements. The governance and accountability arrangements we consider include:

- council and committee structure
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption. This includes action in response to the National Fraud Initiative
- openness of council and committees
- reporting of performance and whether this is fair, balanced and understandable.

124. Audit committees and Council meetings continued to be held with a hybrid option of attending virtually into 2021/22. This allowed members to undertake their scrutiny role appropriately and, by June 2022, attendance in person became more prevalent. The meetings continued to be audio streamed and recordings made available after the meeting.

125. Meeting papers are available on the council's website to support transparency. The website also allows the public to access a wide range of information including current service updates and restrictions due to Covid-19, advice for individuals and businesses and how to contact the council or make a complaint.

126. No significant risks were identified from our review of the governance and accountability arrangements in the council.

The council conducts its business in an open and transparent manner

127. There continues to be an increasing focus on demonstrating the best use of public money. The council support open and transparent business in several ways such as:

- Live streaming and audio recording of council and service meetings. This was in place prior to the pandemic and continued throughout.

- Council and committee meeting papers and minutes are publicly available on the council website. Elected members briefings are also publicly available.
- The council website contains a wide range of information including the annual accounts, register of members' interests, fraud reporting policies and complaint procedures.

128. We conclude that the council continues to demonstrate a commitment to conducting business in an open and transparent manner.

Collaboration and effective leadership is more important than ever to ensure that outcomes are improved for residents

129. In its [Local Government in Scotland Overview 2022](#) report, the Accounts Commission highlighted that recovery and renewal was not about returning to the pre-pandemic status quo, but ensuring services are reshaped to meet the new needs of the local area. To achieve this, strong leadership from councils is needed. The council's new and returning councillors should be willing and able to make difficult decisions about where and how to spend its resource, with a willingness to embrace collaborative working within the council and with external stakeholders critical to achieving this.

130. The new council has shown an appetite for collaboration, in establishing, for example, a cross-party cost of living working group. We encourage members and senior officers at the council to maintain an open and collaborative culture. This will help drive improvement and innovation at the council which will in turn will lead to better outcomes for residents.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The council has made good progress in demonstrating improvement in its services, but the capital programme continues to fall behind as a result of the pandemic.

Residents' satisfaction with council services overall is high, but performance indicators show challenges in tackling sickness absence levels, empty council homes and recycling.

The council has a climate strategy and action plan to address the challenge of reaching net zero by 2045.

The council has made good progress in demonstrating improvement in its services, but the capital programme continues to fall behind as a result of the pandemic

131. Best value is assessed over the term of our appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council is considered by the Accounts Commission at least once during this period.

132. The [Best Value Assurance Report \(June 2018\)](#) for West Dunbartonshire Council reported that the council had made significant improvements in how it works since the previous Best Value report in 2007. It highlighted that the council now demonstrates a focus on delivering Best Value and there was evidence of continuous improvement in its services. The report also included five recommendations which were endorsed by the Accounts Commission.

133. At its meeting on 29 August 2018, the council agreed a Best Value Assurance Improvement Plan which included actions to address all recommendations included in the BVAR. An update against the plan was reported to the Council meeting in February 2020. It noted that all recommendations within the BVAR Improvement Plan had been fully delivered and activity on driving Best Value will continue.

134. In subsequent annual audit reports we reported a summary of the progress made against the BVAR recommendations. A current position statement on the outstanding actions from 2020/21 is summarised in [Exhibit 8](#).

Exhibit 11

Progress against outstanding BVAR recommendations

Recommendation	Audit Scotland view on progress to date
<p>To reduce the level of slippage on the capital plan, the council should review its project management processes.</p>	<p>Covid-19 continues to delay progress with the capital programme</p> <p>As we detail in paragraphs 65 to 68, the council has reported slippage against the capital programme. Although the project management improvements are complete, there are still delays in progressing projects. In 2021/22 these occurred for various reasons, with the pandemic and its knock-on effect on absences and supply chains clearly a significant factor..</p>
<p>Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.</p>	<p>Significant successes in reducing sickness levels have been short-lived, with 2021/22 data showing a sharp spike in staff absences</p> <p>We reported in our original BV report that the council had taken a range of action to support staff and tackle sickness absence levels. The impact of these actions had not yet been reflected in the reported sickness absence figures, but we accepted that delivering such improvement would be a longer-term process.</p> <p>The latest data – relating to 2020/21 – from the Local Government Benchmarking Framework (LGBF) shows that sickness absence per employee (excluding teachers) in West Dunbartonshire Council decreased to an average of 8.38 FTE days per employee (11.4 days in 2019/20). This places the council favourably below the Scotland-wide average of 9.71 days lost.</p> <p>A similar improvement could be seen with teachers, with only 1.68 FTE days lost in 2020/21 (5.46 FTE in 2019/20), well below the Scottish average of 4.16 days, which made West Dunbartonshire Council as the best performing council in Scotland in this regard.</p> <p>There remain concerns. Figures from the council's annual wellbeing update show that council-wide absences in 2021/22 have spiked significantly to 14.55 FTE days lost per employee, the highest level since at least 2015/16. In the absence of Scotland-wide benchmarking data, which is not yet available, it will be important to understand this deterioration within a national context. We recognise that officers continue to treat the underlying reasons for sickness absence as a priority. Action taken by the Employee Wellbeing group includes employee support initiatives, work with trade unions, monthly webinars and an employee counselling service.</p>

The council has effective systems in place to monitor performance and drive continuous improvement, which support scrutiny of service performance

135. The council has effective systems in place to monitor performance and drive continuous improvement. Members and officers effectively scrutinised how services perform:

- Each Strategic Service Management Team considers performance reports during routine management meetings.
- The Performance Monitoring and Review Group considers regular reports from across strategic areas through its online performance management system, Pentana. This monitors the performance indicators linked to the strategic plan.

- Service committees meet every quarter and get regular performance information.
- Service performance is reviewed through the Corporate Services Committee, Education Services Committee, Housing and Communities Committee and Infrastructure, Regeneration & Economic Development Committee and annually through the council.
- Officers and councillors have a good understanding of what the council has achieved and the challenges that remain.

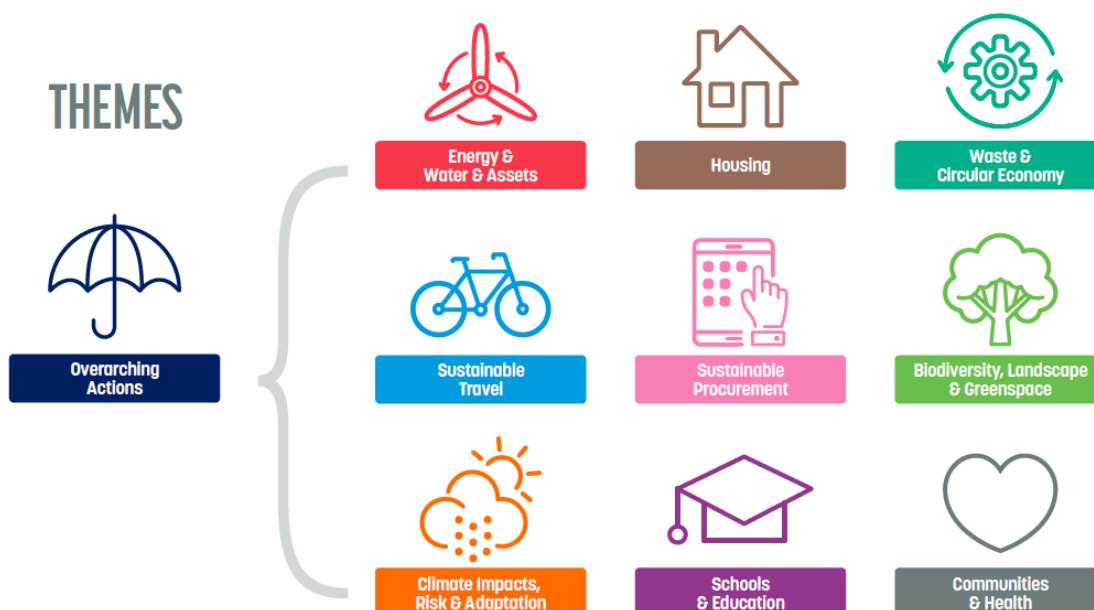
136. Based on our attendance at Council and committee meetings during 2021/22 we have concluded that these performance monitoring and reporting arrangements continue to operate effectively and support scrutiny of service performance.

The council has a climate strategy and action plan to address the challenge of reaching net zero by 2045

137. West Dunbartonshire Council launched its [Climate Change Strategy](#) in January 2021 which has set a target to reduce WDC carbon emissions to 'net zero' by 2045, aligning with Scottish Government targets. In order to ensure it realistically meets its 2045 net zero target, the council recognises it will require further internal funding (capital and revenue) and support from all service areas.

Exhibit 12

Climate Change Action Plan – 10 key themes to address climate change



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

139. The council has recognised this, and has built on its strategy with a [Climate Change Action Plan](#), which was approved in October 2021. This sets out the immediate and longer term actions the council will need to take, both in relation to mitigating and adapting to climate change. This will be reviewed annually and every five years it will go through a full progress review.

140. A Climate Change Action Group has been launched involving senior management from each Council service area. The council has committed to develop a Climate Change Community Forum to underpin more proactive and engaged discussions with and climate actions by the local community.

A new strategic plan 2022-27 sets out the vision and key priorities for the council over the next five years

141. This was the final year under the Council's Strategic Plan 2017-22. The plan contains five-year targets with monitoring and reporting on progress annually. Targets are set from a baseline and reviewed over time, and performance against these is reported to the full council each year in the annual performance report. These measures are considered the most relevant for evidencing the delivery of the key priority and outcome areas defined in the Strategic Plan.

142. The council's new strategic plan, covering the period 2022-27, will be considered by the council in October 2022. The strategic plan is the key document which sets out the priorities of the council over the next five years, and how performance against outcomes will be measured.

143. The plan groups the council's priorities under four key themes of 'our communities, our environment, our economy and our council' and is aligned to the Scottish Government's national priorities. More than 200 people took part in a survey consultation to give their views.

Residents' satisfaction with council services overall remains high. but performance indicators show challenges in tackling sickness absence levels, empty council homes and recycling

144. The 2021/22 annual performance report is expected to go before the Council in October 2022. From review of the most recent quarterly performance data 2021/22, we note good progress has been made in a number of areas including:

- An increase in overall residents' satisfaction with Council services (93%, up from 89% in 2020/21).

- The number of businesses given advice and assistance to start up through Business Gateway (53 against a target of 50).
- Percentage of income due from council tax received by the end of the year (93.3%).

145. However, there remains particular challenges in the following areas:

- Percentage of citizens who agree the Council listen to community views when designing and delivering services (72% against a target of 90%).
- Percentage of council rent that was lost due to houses remaining empty (1.29% against a target of 0.88%).
- Percentage of total household waste that is recycled (34% against a target of 60%).
- Sickness absence levels (as noted in [Exhibit 8](#)).

The council is meeting statutory performance indicators (SPIs) expectations on reporting its performance to the public

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

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

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

148. West Dunbartonshire Council continues to participate in the Local Government Benchmarking Framework and publish this data and a range of other performance information on the council website which adequately covers the requirements set out in the SPI direction issued by the Accounts Commission.

Relevant national performance audit reports are considered by the council

149. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

During 2021/22, Audit Scotland published several reports which are of direct interest to the council. These are outlined in appendix 3.

150. We noted that relevant national reports, including the [Local government in Scotland: Financial overview 2020/21](#) and [Audit Scotland - COVID-19 Guide for Audit and Risk Committees](#) reports, were considered by the Audit Committee. These were accompanied by information explaining how the findings and recommendations relate to the specific circumstances of West Dunbartonshire Council. We welcome this positive response to our national reports.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Accounting for non-current assets</p> <p>We identified significant errors on the processing of non-current assets. This included the valuation of council dwellings, depreciation calculations, the capitalisation of staff costs and misclassification of assets.</p> <p>Risk: If the accounting for non-current assets is not improved, future accounts could be materially misstated.</p>	<p>The council should review its capital accounting procedures for non-current assets, with a view to improving the systems used to record entries, compliance with accounting requirements, review processes, and communication with asset owners.</p> <p>Exhibit 2</p>	<p>A review will be carried out to properly understand any process failures relating to the management of the Council's asset register. This will include giving consideration to the cost/benefit of replacing the current spreadsheet based asset register with a more robust bespoke system.</p> <p>Chief Officer Resources 31 March 2023</p>
<p>2. Debtors and creditors overstatement</p> <p>We identified a number of errors in the disclosures of debtors and creditors. This had the effect of reducing both assets and liabilities by £3.222 million.</p> <p>Risk – There is a risk that the figures in the Balance Sheet are overstated.</p>	<p>Management should review the year-end procedures to ensure that debtors and creditors are correctly accounted for.</p> <p>Exhibit 2</p>	<p>An exercise will be carried out to review the audit adjustments required during the audit of the 2021/22 annual accounts which will inform improvement actions in advance of the preparation of the 2022/23 accounts.</p> <p>Chief Officer Resources 31 March 2023</p>
<p>Recommendations for charities administered by West Dunbartonshire Council</p>		
<p>CH1. Governance documentation and dormant activity</p>	<p>The trustees of the charities should continue to seek a resolution to legal and administrative barriers which</p>	<p>Further action will be taken to raise the profile of the charitable trusts in an attempt to encourage greater</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>As we have previously reported, some of the trusts have been dormant for a number of years, and new deeds of trust or governing documentation is required for the Dunbartonshire Educational Trust Scheme, the UIE award and the McAuley Prize for Mathematics.</p> <p>Risk – There is a risk that funds are lying dormant and do not provide public benefit</p>	<p>prevent charitable objectives being achieved.</p> <p>This should include taking steps to make their existence more widely known, and applications more accessible.</p> <p>Paragraphs 50 to 52</p>	<p>applications from qualifying parties.</p> <p>Chief Officer Resources 31 March 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>PY1. Analysis of rent arrears</p> <p>Our review of the underlying records for the Housing Revenue Account (HRA) identified that the council is currently unable to analyse overdue rent arrears by age of the debt.</p> <p>Risk – The disclosures in the accounts for rent arrears may contain errors, and the council may be unable to adequately identify rent arrears which should be written off.</p>	<p>The council should explore improving its systems capability to provide an analysis of rent arrears by age of the debt.</p>	<p>Complete</p> <p>West Dunbartonshire Council have new reporting capability and are now able to analyse rent arrears by age of debt. This information has been used to include amounts past due for payment.</p>
<p>PY2. Review of rent model</p> <p>The council's current rent model for its housing stock, which bases charges on property size, property type and general quality was implemented in June 2010 at a meeting of the Housing,</p>	<p>The rent model should be reviewed to ensure it meets the needs of the council and its tenants.</p>	<p>In Progress</p> <p>The current rent model does not include properties built since 2010. The rent model has been discussed with the Joint Rent Group who are satisfied with the current model. A satisfaction survey</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Environment and Economic Development Committee. At that time, the committee resolved that the model was due for review no more than 10 years after implementation, meaning that the review is now overdue.</p> <p>Risk – the rent model does not meet the needs of the council and its tenants.</p>		<p>is being completed with all residents regarding the current rent model. The revised model should be presented to full council in due course.</p> <p>Chief Officer – Housing and Employability</p> <p>31 March 2023</p>

Recommendations for charities administered by West Dunbartonshire Council

Issue/risk	Recommendation
<p>PY CH1. Governance and investment documentation</p> <p>As previously reported:</p> <ul style="list-style-type: none"> The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE award require to be updated. The governing documentation for the McAuley Price for Mathematics is not available and a new trust deed is required. <p><i>Risk – There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.</i></p>	<p>Superseded by Recommendation CH1 above.</p>
<p>PY CH2. Dormant Trust</p> <p>As previously reported, some of the trusts have been dormant for a number of years and annual activity on all trusts is minimal.</p> <p><i>Risk – There is a risk that funds are lying dormant and do not provide public benefit.</i></p>	<p>Superseded by Recommendation CH1 above.</p>

Appendix 2. Wider audit dimension risks

The table below sets out the risks we identified for the 2021/22 audit relating to our wider responsibility under the Code of Audit Practice 2016 and how we addressed each risk in arriving at our conclusion.

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial sustainability of services</p> <p>The council needs to demonstrate financial sustainability of its services as it faces increasing demand for services and the continuing service pressures from Covid.</p> <p>Covid-19 funding has increased the council's reserves but these will be needed to meet ongoing costs. The council is projecting funding gaps increasing to £14.355 million by 2024/25.</p>	<ul style="list-style-type: none"> Review the council's monitoring reports against the 2021/22 budget and long-term financial strategy. Report the outturn in our 2021/22 annual audit report. Review how the council demonstrates the long-term affordability of budget decisions, including any planned use of reserves. Ongoing assessment of the council's long-term financial strategy. 	<p>Results & Significant Judgements: As we have reported in Paragraph 56., the council achieved a £0.159 million surplus against budgeted expenditure for 2021/22.</p> <p>Conclusion: There is uncertainty over how long Covid-related funding will continue to be made available to promote recovery. The long-term financial strategy has identified cumulative anticipated revenue funding gaps within General Services rising to £18.622 million in 2024/25.</p>
<p>2. Capital project delays</p> <p>We have previously reported on a trend of delays in capital projects and capital programme slippage. A significant underspend is forecast against the 2021/22 original capital budget for 2021/22. The majority of this is due to the impact of Covid-19 and the ongoing restrictions on capital works.</p>	<ul style="list-style-type: none"> Review the council's reports for monitoring the budget and progress with the capital programme. Report the outturn in our 2021/22 annual audit report. 	<p>Results & Significant Judgements: As we have reported in Paragraph 76, 42 per cent of the capital programme has been identified as slippage.</p> <p>Conclusion: Although Covid-19 is likely to have had a significant impact on the capital programme, there remains a risk of unrealistic or overly optimistic scheduling. We will continue</p>

Audit risk	Assurance procedure	Results and conclusions
<p>There is a risk that the council's ability to deliver against its strategic plan is affected by the delays to completing its capital projects.</p>		<p>to monitor progress in this area.</p>
<p>CH1. Governance and investment documentation</p> <p>The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE Award require to be updated.</p> <p>The governing documentation for the McAuley Prize for Mathematics is not available and a new trust deed required.</p>	<ul style="list-style-type: none"> • Continue to liaise with officers to establish progress with updating and replacing Deeds of Trust. • Review updated Deeds of Trust. • Provide an update on progress in our 2021/22 Annual Audit Report. 	<p>Results & Significant Judgements: Progress is being made towards replacing the deeds of trust and governance documentation.</p> <p>Conclusion: In progress</p>
<p>CH2. Dormant Trusts</p> <p>Some of the trusts have been dormant for a number of years, with annual activity on all trusts minimal. There is a risk that the trusts are not meeting the requirement of public benefit.</p>	<ul style="list-style-type: none"> • Continue to liaise with officers and monitor the activity on trusts funds. • Provide an update on activity in 2021/22 Annual Audit Report. 	<p>Results & Significant Judgements: There is minimal activity on some trusts, with only one award in 2021/22.</p> <p>Conclusion: In progress</p>

Appendix 3. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

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

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

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

[Drug and alcohol: An update](#)

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

West Dunbartonshire Council

Proposed 2021/22 Annual Audit Report

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