

Dundee City Council

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Dundee City Council and the Controller of Audit

28 October 2022

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Key messages

Audit of 2021/22 annual accounts

- 1 The financial statements of Dundee City Council, and its group, give a true and fair view of its financial position for the year ended 31 March 2022.
- 2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 3 The statement of accounts of the three section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2022 and its statement of balances at that date.
- 4 The audit of the 2021/22 annual accounts was completed in line with the agreed timetable.

Financial management

- 5 The council's budget setting and financial management arrangements operated effectively during 2021/22.
- 6 The Covid-19 pandemic continued to impact on the council's finances. Additional Covid related costs totalled £25.3 million for 2021/22. These were covered by Covid funding carried forward from 2020/21 and in-year funding of £19.2 million. Unspent Covid funding of £4.4 million is earmarked for future use.
- 7 The council reported a £22 million underspend against its 2021/22 general fund revenue budget due to reduced service activity, linked to Covid-19, and unfilled posts across all services. An underspend of £0.4 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity.
- 8 The council reported slippage of 51 per cent against its 2021/22 Capital Plan. This level of slippage was partly due to delays linked to Covid-19 but is a cause for concern as it may impact on the council's ability to deliver against some of its strategic objectives.

Financial sustainability

- 9** The council's general fund balance increased to £61.3 million at 31 March 2022. However, £52.0 million (85 per cent) of this balance has already been earmarked, and further funds are likely to be required to meet the emerging inflationary cost pressures.
- 10** The Council approved a general fund revenue budget for 2022/23 of £392 million and raised council tax for the year by 2.9 per cent. The Council also approved a 1.5 per cent increase in rent levels for 2022/23 to fund the annual HRA budget of £56.5 million.
- 11** The 2022-2027 Capital Plan sets out a £382 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock.
- 12** The council has set aside money to meet additional revenue costs of around £4.4 million on roofing repairs work on council houses, and capital costs of £6.1 million on remedial repairs and maintenance at the Olympia pool in Dundee, and £1.5 million on the central heating system in Dundee House.
- 13** Future financial plans are challenging with the council's medium-term financial strategy projecting a cumulative funding gap of £44.7 million for the period 2023-2027. The council's future revenue and capital plans could be impacted by inflationary pressures, including the impact of the 2022/23 pay award for teachers and further increases in construction costs.

Governance and transparency

- 14** Following the May 2022 local government elections, the council has an SNP majority administration. The new Council approved the same decision-making structure as had been used for the previous administration. The council has an effective training programme to support new and returning councillors.
- 15** The council had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2021/22 and conducted its business in an open and transparent manner.
- 16** The council has agreed a partnership arrangement with Angus Council to share its Chief Internal Auditor on a part-time basis. This pilot arrangement commenced in October 2022 and will be reviewed within 12 months.
- 17** Target dates for implementing some improvement actions from internal audit reports are not being met. Management should ensure that outstanding improvement actions agreed from internal audit reports are completed as a matter of priority or revised dates are reported to elected members.

Best Value

- 18** The Dundee Partnership recently approved a new City Plan for 2022-2032 that identifies its strategic priorities and high-level outcomes for the next 10 years. The new Council Plan for 2022-2027 will set out how Dundee City Council will play its part in delivering the vision set out in the City Plan over the next 5 years.
- 19** The Dundee Partnership continues to work with the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee. The partnership is committed to progressing actions on delivering improved outcomes for citizens impacted by poor mental health and drug use with this being included as a top priority in the new City Plan 2022-2032.
- 20** Good progress has been made in implementing the actions to deliver the recommendations for improvement in the 2020 Best Value Assurance Report (BVAR). The council and its partners should now focus on ensuring that these actions are having the desired impact, and considering what other activity is required to address the city's significant demographic, economic and social challenges.
- 21** The council has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality and fairness is embedded in the activity of the organisation. The council has rolled out a new Integrated Impact Assessment model and training to improve the quality of the assessments and increase the involvement of equality groups, to support better outcomes for citizens.
- 22** The council aims to be in the top half of its family group of peers for 55 per cent of LGBF indicators, in 2020/21 48 per cent were in the top half, an improvement on the 44 per cent reported for 2019/20. The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the longer-term impact of the pandemic, and the current cost of living crisis.

Introduction

Scope of our audit

1. This report summarises the findings arising from the 2021/22 audit of Dundee City Council (the council). The scope of our audit was set out in Annual Audit Plan presented to the April meeting of the Scrutiny Committee. This report comprises our findings from:

- our audit of the council and group annual accounts, and the statement of accounts of the Section 106 charities administered by the council
- a review of the council's key financial systems
- our consideration of the wider dimensions of public sector audit (financial management, financial sustainability, governance and transparency, and value for money) as set out in the [Code of Audit Practice 2016](#)
- audit work covering the council's arrangements for securing best value, including consideration of the response to the findings and recommendations in our [Best Value Assurance Report \(September 2020\)](#).

Continuing impact of Covid-19

2. As highlighted in our Annual Audit Plan, in common with all public bodies, the council continues to deal with the operational and financial impact of the Covid-19 pandemic. Known risks related to the pandemic were included in our plan, and we have adapted our audit work during the year to address any new risks that have emerged.

Adding value through the audit

3. We aim add value to the council and help promote improved standards of governance, better management and decision-making and more effective use of resources, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement that are accepted by management
- providing clear and focussed conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports and briefing papers, [Appendix 3](#).

Auditor independence

4. Auditors appointed by the Accounts Commission must comply with the [Code of Audit Practice 2016](#) 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.

5. 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 £372,500, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Responsibilities

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

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

8. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, its financial position and financial sustainability, and the arrangements in place for securing Best Value.

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

Audit reporting

10. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. 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.

11. An agreed action plan setting out specific recommendations, responsible officers and dates for implementation is included at [Appendix 1](#).

12. This report is addressed to both the members of Dundee City Council and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

External audit appointment for 2022/23 to 2026/27

13. The Accounts Commission is responsible for the appointment of external auditors for local government bodies. External auditors are appointed from either Audit Scotland's Audit Services Group or private firms of accountants. The financial year 2021/22 is the last year of the current audit appointment round.

14. The procurement process for the new round of audit appointments covering 2022/23 to 2026/27 was completed in May 2022 and Audit Scotland has again been appointed as the external auditor for Dundee City Council. Although Audit Scotland remain the board's external auditors, to maintain the independence and objectivity of the audit team, the engagement lead and other staff working on the audit will be changed for the 2022/23 audit. The outgoing audit team will work with officers and the new audit team to ensure a smooth transition.

15. The new auditors will follow a new Code of Audit Practice which applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

Acknowledgement

16. The audit team would like to thank all management and staff of Dundee City Council for their cooperation and assistance over the period of the audit appointment.

1. Audit of 2021/22 annual accounts

The annual accounts are the principal means of an organisation accounting for the stewardship of resources and its performance in using those resources

Main judgements

The financial statements of Dundee City Council, and its group, give a true and fair view of its financial position for the year ended 31 March 2022.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts of the three section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2022 and its statement of balances at that date.

The audit of the 2021/22 annual accounts was completed in line with the agreed timetable.

Our audit opinions on the annual accounts are unmodified

17. The accounts for the council and its group for the year ended 31 March 2022 were approved by the Scrutiny Committee on 26 October 2022, and certified by the appointed auditor on 28 October 2022. We reported within the independent auditor's report that:

- 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.

The audit of the 2021/22 annual accounts was completed in line with the agreed timetable

18. As a result of the continuing impact of the Covid-19 pandemic, Audit Scotland set a target date for the certification of local government 2021/22 annual accounts of 31 October 2022. This reflected the risk that available audit resources during July and August could again be impacted by other audits finishing later than normal, and also recognition that certain tasks take longer to

complete when working remotely. As set out in our Annual Audit Plan, we agreed a timetable with management that would enable us to work to the revised deadline to complete the 2021/22 audit.

19. We received the unaudited annual accounts on 29 June 2022 in line with the agreed timetable. The accounts and working papers presented for audit were complete and finance staff provided good support to the audit team which helped ensure our audit was completed in line with the timetable, with the audited accounts signed after the Scrutiny Committee meeting on 26 October 2022. There has been no impact on the scope of our audit from the remote completion of the audit.

The inspection notice was placed in accordance with the required regulations and no objections were raised to the 2021/22 annual accounts

20. Regulation 9 of the [Local Authority Accounts \(Scotland\) Regulations 2014](#) requires a local authority to give public notice on its website of the right to inspect its annual accounts. This must remain on the website throughout the inspection period. As part of our audit we confirmed that the 2021/22 annual accounts inspection notice, published on the council's website, complied with the regulations.

21. The regulations also require a local authority to give the right of interested persons to inspect and object to its accounts, as provided for by section 101(a) (rights of interested persons to inspect and copy documents and to object to accounts) of the 1973 Act. No objections were raised to the 2021/22 Annual Accounts.

Our audit approach and testing reflected the overall materiality level of £8.0 million

22. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

23. Our initial assessment of materiality was carried out during the planning phase of the audit and was based on the financial results reported in the 2020/21 audited Annual Accounts. These materiality levels were reported in our Annual Audit Plan presented to the Scrutiny Committee in April 2022.

24. On receipt of the unaudited 2021/22 Annual Accounts we recalculated our materiality levels based on the financial results reported for the year ended 31 March 2022. Our audit approach and testing were adapted to reflect the recalculated materiality levels and our final materiality levels are detailed in [Exhibit 1](#).

Exhibit 1

Materiality levels

| Materiality level | Amount |
|---|----------------|
| Overall materiality: This is the calculated figure we use in assessing 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. | £8.000 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 assessed performance materiality at 60% of planning materiality. | £4.800 million |
| Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 4% of overall materiality (capped at £250,000). | £0.250 million |

Source: Audit Scotland

Our audit identified and addressed the significant risks of material misstatement

25. [Exhibit 2](#) provides our assessment of the significant risks of material misstatement for the annual accounts for the 2021/22 audit. It details the work we undertook to address these risks and our conclusions from this work. We also identified three wider audit dimension risks for this year's audit as part of our responsibilities under the [Code of Audit Practice 2016](#). The audit findings on these risks are included within the relevant sections of this report and are summarised at [Appendix 2](#). These risks influenced our overall audit strategy and the allocation of staff resources to the audit.

Exhibit 2

Significant risks of material misstatement in the financial statements

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| <p>1. Risk of 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</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. | <p>Satisfactory</p> <p>The completion of the assurance procedures identified one erroneous journal entry, but we are content that this did not indicate evidence of management override of controls to manipulate the</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|--|
| <p>otherwise appear to be operating effectively.</p> | <ul style="list-style-type: none"> • Detailed testing of journal entries, with a focus on significant risk areas, including year-end and post-close down entries. • Testing of accounting estimates, assessing any changes to the methods and underlying assumptions used to prepare these compared to the prior year. • Evaluation of significant transactions that are outside the normal course of business. | <p>reported financial position.</p> |
| <p>2. Estimation in the valuation of land and buildings</p> <p>The council held land and buildings with a net book value of over £1.5 billion at 31 March 2021.</p> <p>Land and buildings are revalued on a five-year rolling basis, with an internal valuer completing all valuations.</p> <p>The valuations are based on specialist and management assumptions and changes in these assumptions can result in material changes to the valuations produced.</p> <p>As there is a significant degree of subjectivity in the land and buildings valuations, these represent an increased risk of material misstatement in the financial statements.</p> | <ul style="list-style-type: none"> • Review the information provided to the valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Critically assess the approach the council has adopted to assess the risk that assets not subject to valuation could be materially misstated and consider the robustness of that approach. • Test the reconciliation between the financial ledger and the asset register. • Critically assess the adequacy of the council's disclosures regarding the assumptions in relation to the valuation of land and buildings. • Review the evidence provided to demonstrate that any deviation from the RICS standard valuation methodology could not have resulted in the assets being materially misstated and conclude as to whether we agree with this assessment. | <p>Satisfactory</p> <p>We are satisfied with the evidence provided by the council to support the 2021/22 land and property assets valuations in the annual accounts.</p> <p>Paragraphs 33. to 36.</p> |

26. The pension liability and other areas such as provisions for legal cases, involve a significant degree of estimation and judgement. As part of our assessment of audit risks at the planning stage, we assessed that this subjectivity represented an increased risk of misstatement for the financial statements. While these areas required audit focus, based on our assessment of the likelihood and magnitude of the risk, we did not consider they represented significant risks of material misstatement.

27. We designed audit procedures to address these risks and as part of the financial statements audit we undertook work to:

- Confirm that valuation data in the actuarial report is correctly reflected within the annual accounts, and to review the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used, with reference to the report produced by the consulting actuary to Audit Scotland.
- Confirm that provisions for legal cases and other significant estimates were based on up-to-date and reliable assessments of the potential liabilities to the council.

28. These procedures did not identify any issues that we required to bring to the attention of those charged with governance.

We reported the significant findings from the audit to those charged with governance prior to the annual accounts being approved and certified

29. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit of the financial statements, including our view about the qualitative aspects of the body's accounting practices, to those charged with governance prior to the annual accounts being approved and certified.

30. The significant findings from the 2021/22 financial statements audit are summarised in [Exhibit 3](#) page [14](#). Our audit also identified some other presentation and disclosure issues which were discussed with management. These were all adjusted in the annual accounts and none of these were significant enough to require to be separately reported under ISA 260.

Exhibit 3

Significant findings from the 2021/22 financial statements audit

| Issue | Resolution |
|---|--|
| <p>1. Group consolidation issues</p> <p>We identified errors in the entries processed to consolidate the financial results of Leisure and Culture Dundee (LACD) as a subsidiary within the group statements in the 2021/22 annual accounts. These mainly related to the requirement to remove intragroup transactions and balances between the council and LACD to ensure there is no double counting of these items.</p> | <p>Management has made the necessary adjustments in the audited 2021/22 annual accounts.</p> <p>The impact of this, and the other post-audit adjustments, resulted in the 'Cost of Services' reported in the Group Comprehensive Income and Expenditure Statement for 2021/22 decreasing by £11.015 million; and the 'Net Assets' figure at 31 March 2022 in the Group Balance Sheet reducing by £7.143 million.</p> |
| <p>2. Accounting treatment of unspent Big Lottery funding</p> <p>Our testing of year-end payables balances identified a balance of £0.506 million relating to Big Lottery funding which were unspent in 2020/21. These were correctly treated as a creditor in 2020/21 as the funds could potentially have been reclaimed up until the end of May 2021. However, after this date, the funds would no longer require to be returned and should have been recognised as income. As such, a creditor for this balance was incorrectly recognised in the 2021/22 financial statements and the payables balance was overstated by £0.506 million.</p> | <p>Management has made the necessary adjustments in the audited 2021/22 annual accounts.</p> <p>These reduced the 'Cost of Services' reported in the Comprehensive Income and Expenditure Statement for 2021/22 by £0.506 million and increased the 'Net Assets' figure at 31 March 2022 in the Balance Sheet by the same value.</p> <p>Recommendation 1 at Appendix 1</p> |
| <p>3. Classification of V&A landscaping project</p> <p>Our non-current assets testing identified that expenditure of £7.018 million on the V&A landscaping project was still classified as an asset under construction even though the related asset came in to operational use during 2021/22. Discussion with management confirmed that this asset should have been reclassified as an infrastructure asset in the 2021/22 financial statements.</p> | <p>Management has made the necessary adjustments in the audited 2021/22 annual accounts.</p> <p>As the Code requires infrastructure assets to be measured using the historical cost measurement basis, and carried at depreciated historical cost, this adjustment did not impact upon the 'Net Assets' figure in the Balance Sheet. This adjustment is reflected in a £7.018 million increase in the 'Infrastructure Assets' figure at 31 March 2022, and a corresponding decrease in the 'Assets Under Construction' balance, in <i>Note 27. Property, Plant and Equipment</i>.</p> <p>Recommendation 2 at Appendix 1</p> |

| Issue | Resolution |
|---|--|
| <p>4. Issues reported in 2020/21 that are still to be addressed</p> <p>As detailed at Appendix 1, the following recommendations from our 2020/21 annual audit report and have still to be fully addressed:</p> <ul style="list-style-type: none"> • Management should put arrangements in place to ensure the required information for the Trade Union (Facility Time Publication Requirements) Regulations 2017 disclosures is collated and included in the remuneration report in the 2021/22 annual accounts. • The data used to estimate the provision required for the impairment of debts for irrecoverable rents (i.e. HRA bad debts provision), and the accrual required for untaken annual leave should be updated for the 2021/22 annual accounts to ensure the figures represent the most accurate estimates possible based on the data available. • During the audit we identified a number of housekeeping issues with the non-current asset records maintained by the council, including the inappropriate grouping of assets and a large number of assets with a nil value that have not been reviewed to confirm they are still in operational use. Management should review the asset records maintained to ensure they more accurately reflect the council's actual asset base. | <p>Management accept that the agreed actions are still to be implemented and has advised that they will be progressed for the 2022/23 annual accounts.</p> <p>We are satisfied that these issues have not resulted in the 2021/22 annual accounts being materially misstated but would reiterate our 2020/21 recommendations for each of these areas.</p> <p>Recommendations PY-1 to PY-3 at Appendix 1</p> |

Source: Audit Scotland

We have no material unadjusted errors to report

31. It is our responsibility to request that all misstatements above the reporting threshold are corrected. In addition to the significant findings reported in [Exhibit 3](#), two further post-audit adjustments were processed in the audited 2021/22 annual accounts:

- a £0.326 million adjustment to the valuation of an insurance funds bond, and
- a £0.335 million adjustment in respect of the accounting treatment for the utilisation of unspent Early Learning Childcare grant funding.

32. As management corrected all monetary errors identified during the audit that exceeded our reporting threshold of £0.250 million, we have no material unadjusted errors to report.

We are satisfied with the evidence provided by the council to support the 2021/22 land and property assets valuations in the annual accounts

33. As noted at point 2 in [Exhibit 2](#) on page [11](#), as there is a significant degree of subjectivity in the land and buildings valuations, these represent an increased risk of material misstatement in the financial statements. This risk has increased in recent years due to the volatility in a range of factors impacting on land and property valuations, including market prices and building costs.

34. Dundee City Council, like the majority of Scottish councils, carries out a rolling revaluation programme for its land and property assets, with all categories of assets revalued at least every 5 years. The use of a rolling revaluation programme is an accepted practice permitted by the Code. However, where this is adopted, it is important that management assess annually whether there is a need to extend the planned revaluation programme to cover other asset categories, not scheduled for valuation during the year, that may have material movements since they were last revalued.

35. During 2021/22 the Valuer conducted a high-level review for those asset categories that were not subject to a formal valuation during the year. This was undertaken to identify whether there were any indicators that there had been a material movement in the value of those assets since they were last revalued, that would necessitate a revaluation of the assets at 31 March 2022.

36. The Valuer's review did not identify any indications that there had been material movements in the asset categories not subject to a formal valuation during 2021/22. Management has agreed to engage the Valuer to conduct similar annual reviews going forward.

Recommendation 3

Management should continue to monitor land and property asset valuation movements to identify whether revisions are required to the planned rolling revaluation programme, to undertake additional revaluations of any asset categories.

The council applied the statutory override for accounting for infrastructure assets in its 2021/22 annual accounts

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. Dundee City 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 readers of the annual accounts.

Limited progress was made in implementing our prior year recommendations

41. As reported at point 4 in [Exhibit 3](#), a number of recommendations from our 2020/21 annual audit report have still to be fully addressed. Management accept that the agreed actions are still to be implemented and has advised that they will be progressed for the 2022/23 annual accounts. For those actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

We have given unqualified audit opinions on the financial statements of the Section 106 charities administered by the council

42. 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 administered by the council, irrespective of the size of the charity.

43. The council administers six charities registered under section 106. However, it is only required to produce three sets of accounts covering these: the Dundee City Council Charitable Trusts (incorporating four trust funds), the Dundee Trust and the Lord Provost of Dundee Charity Fund. All are prepared on a receipts and payment basis and the movement in the funds held by these charities during the year is shown in [Exhibit 4](#).

Exhibit 4**Movement in funds held by charities administered by Dundee City Council**

| Charitable Trust Fund | Scottish Charity Number | Opening balance at 1 April 2021 | Closing balance at 31 March 2022 |
|---|--------------------------------|--|---|
| | | £ | £ |
| Belmont Trust Estate | SC018900 | 185,495 | 185,495 |
| Camperdown Estate | SC018899 | 2,534 | 2,534 |
| William Dawson Estate Trust | SC018920 | 6,532 | 6,540 |
| Hospital Fund | SC018896 | 732,995 | 743,948 |
| Total funds of Dundee City Council Charitable Trusts | | 927,556 | 938,517 |
| The Dundee Trust | SC046260 | Nil | Nil |
| Lord Provost of Dundee Charity Fund | SC027022 | 45,566 | 43,806 |

Source: Trustees report and accounts for the year ended 31 March 2022

44. Our duties as auditors of the charities administered by Dundee City 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).

45. We have given unqualified audit opinions on the financial statements of the Section 106 charities administered by the council and the significant findings from the audits are summarised in [Exhibit 5](#) on page [19](#).

Exhibit 5**Significant findings from the audit of the section 106 Charitable Trusts financial statements**

| Issue | Resolution |
|--|--|
| <p>1. Dundee City Council Charitable Trusts – Hospital Fund grant approval</p> <p>At a meeting held on 14 January 2013 it was agreed that no new applications would be invited for the Hospital Fund and that instead a budget of £25,000 would be provided to pilot a targeted welfare benefit advice service in Dundee in 2013/14. It was subsequently agreed to extend this pilot to 31 March 2017. A peer review was carried out in March 2017 and it was agreed to continue the project for a further three financial years, to 31 March 2020. At a meeting of the Policy and Resources Committee held on 24 August 2020, it was agreed that this funding be extended for a further 12 months to 31 March 2021.</p> <p>A £25,000 payment from the Hospital Fund was again made in 2021/22 but this has not received the required approval from the Policy and Resources Committee.</p> | <p>Retrospective approval for this payment will be sought from the Policy and Resources Committee.</p> <p>Recommendation C1 at Appendix 1</p> |
| <p>2. Dundee City Council Charitable Trusts – Camperdown House valuation</p> <p>The unaudited 2021/22 DCCCT annual accounts showed Camperdown House valued at £2.027 million, but per the Valuer's report this should have been valued at £2.070 million.</p> | <p>Management has made the necessary adjustment in the audited 2021/22 DCCCT annual accounts.</p> |
| <p>3. Dundee City Council Charitable Trusts – Belmont Trust Estate surplus</p> <p>As in past year, the Belmont Trust Estate surplus for the year (£8,464 in 2021/22) was transferred to Neighbourhood Services to cover the costs associated with maintaining the grounds during the year (e.g. cyclical maintenance, shrub pruning, grass cutting, etc.). Management advised that as this arrangement dates back to before local government reorganisation in 1996 they do not seek trustee approval for the annual transfer.</p> | <p>As this is a long-standing arrangement, and the actual costs associated with the maintenance works undertaken by Neighbourhood Services would have exceeded the transferred surplus, we have accepted this as a valid transfer. No further action required.</p> |

Source: Audit Scotland

The trustees of the Dundee Trust should consider the future use of the trust as it no longer holds any funds or assets

46. 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.

47. During 2019/20 the funds held in the Dundee Trust were donated to the Lord Provost of Dundee Charity Fund leaving it with a nil balance since 31 March 2020, as shown in [Exhibit 3](#) above. The trust also holds no assets so is effectively dormant. Given this, we recommended in our 2020/21 annual audit report, that the trustees of the Dundee Trust should consider the future of the trust and make a decision as to how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up. As there has again been no activity during 2021/22 we reiterate this recommendation.

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

The council's budget setting and financial management arrangements operated effectively during 2021/22.

The Covid-19 pandemic continued to impact on the council's finances. Additional Covid related costs totalled £25.3 million for 2021/22. These were covered by Covid funding carried forward from 2020/21 and in-year funding of £19.2 million. Unspent Covid funding of £4.4 million is earmarked for future use.

The council reported a £22 million underspend against its 2021/22 general fund revenue budget due to reduced service activity, linked to Covid-19, and unfilled posts across all services. An underspend of £0.4 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity.

The council reported slippage of 51 per cent against its 2021/22 Capital Plan. This level of slippage was partly due to delays linked to Covid-19 but is a cause for concern as it may impact on the council's ability to deliver against some of its strategic objectives.

The council's budget setting and financial management arrangements operated effectively during 2021/22

48. As reported in our [Best Value Assurance Report](#), the council has a well established budget setting process that supports councillors to develop and scrutinise savings plans and understand the impact of proposed service changes. The annual budget setting process is informed by a public consultation exercise and is focussed on the council's priorities.

49. In March 2021 the council approved a general fund revenue budget for 2021/22 of £373 million. The budget was based on freezing council tax at the same levels as the prior year and the delivery of in-year savings of £1.4 million (over and above base budget savings for the year of £4.2 million).

50. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. In January

2021 the council approved a 1.5 per cent increase in the average weekly rent levels for tenants for 2021/22. The rent level set reflected the income required to fund the annual HRA budget of £55.8 million partially offset by the use of £0.8 million of the repairs and renewal fund during the year.

51. The council operates a rolling five-year capital programme. The 2021-2026 Capital Plan was approved in February 2021. The plan detailed a £386 million programme of work, split between £261 million of general fund projects and £125 million of housing revenue account projects, with expenditure of £117 million (£80 million for general fund projects and £37 million for HRA projects) scheduled for 2021/22.

52. To ensure that councillors were sighted on the projected financial outturn for the year, and the ongoing financial impact of the pandemic, revenue and capital monitoring reports were taken to each meeting of the Policy and Resources Committee during 2021/22.

The Covid-19 pandemic continued to impact on the council's finances. Additional Covid related costs totalled £25.3 million for 2021/22. These were covered by Covid funding carried forward from 2020/21 and in-year funding of £19.2 million. Unspent Covid funding of £4.4 million is earmarked for future use.

53. The 2021/22 financial year was the second full year of the pandemic and the council continued to incur significant additional costs in relation to Covid-19. These included the costs of recovering from the various stages of lockdown and the loss of income from services being closed or suspended. [Exhibit 6](#) highlights the main Covid-19 costs to Dundee City Council in 2021/22. These costs were met from Covid-19 funding carried forward from 2020/21 (£9.8 million), together with further funding of £19.2 million received during the year.

Exhibit 6

Summary of significant Covid-19 costs

| Service cost area | £m |
|--|-----|
| Children and Families Services | |
| Additional NQT teachers (including supply cover) and support staff | 3.1 |
| Children services (LAC placements / additional staff / transfer) | 1.1 |
| City Development | |
| Leisure and Culture Dundee income shortfall | 2.1 |
| Car parking lost income | 1.7 |
| Business Support Fund – Discretionary grants | 1.5 |
| Corporate Services | |
| Self isolation support grants | 2.8 |
| Family and low income pandemic payments | 2.5 |

Source: Dundee City Council 2021/22 Annual Accounts

54. At 31 March 2022, the council earmarked £4.4 million of unspent Covid-19 funding received by services during 2021/22, to fund related expenditure in 2022/23.

The council reported a £22 million underspend against its 2021/22 general fund revenue budget due to reduced service activity, linked to Covid-19, and unfilled posts across all services

55. The council reported an underspend of £21.6 million against its 2021/22 revenue budget. This was partly attributable to in-year savings due to reduced service activity in the early part of the year before Covid-19 restrictions eased and service activity that was paused during the peak of the pandemic restarted (for example, the full school meals service and the Employability Pathway programme delivered by City Development). An underspend on staff costs of £6.1 million was also reported for 2021/22 due to this reduced activity and delays in filling vacancies for certain posts across all services. The most significant underspends on general fund service areas are detailed in [Exhibit 7](#).

Exhibit 7

Summary of most significant underspends against budget

| Service area | £m | Main reasons for underspend * |
|---------------------------------------|-----|--|
| Children and Families Services | 4.9 | Staff costs underspend and reduced property costs due to savings on rates, and supplies and services savings in school meals. |
| City Development | 3.7 | Other than staff cost savings, the main underspend for the service related to third party payments under the Employability Pathway programme and lower than anticipated recharges for the use of Corporate Fleet vehicles. |
| Neighbourhood Services | 3.4 | This underspend was due to the high level of unfilled posts within the service, and supplies and services savings mainly linked to the Street Scene and landscaping contracts. There was also an underspend in third party payments relating to the Baldovie Waste to Energy plan. |
| Corporate Services | 3.2 | Underspend mainly attributable to staff savings from unfilled posts and the review of the services staffing structure. |
| Chief Executive Services | 2.4 | Underspend due to the deferral of certain scheme activity, including Fairness and Protecting People and Climate Change Fund, from 2021/22 to 2022/23, and staff cost savings from unfilled posts. |

* In addition to the reasons detailed above, £4.4 million of the Covid-19 funding received during the year was not spent by services but will be required for 2022/23.

Source: Dundee City Council 2021/22 Annual Accounts and Revenue Monitoring Reports to Policy and Resources Committee

An underspend of £0.4 million was reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity

56. The council reported a £0.4 million underspend against the annual HRA budget for 2021/22. This was attributable to lower than anticipated expenditure on property costs, mainly repairs and maintenance and planned maintenance work.

57. While the council achieved savings against the 2021/22 HRA revenue budget, it should be noted that the reduction in repairs and maintenance activity during the year will have a knock-on effect on the level of such activity required in future years. Therefore, this underspend represents a rephasing of these works rather than savings that can be released to fund other activity.

The council reported slippage of 51 per cent against its 2021/22 Capital Plan. This level of slippage was partly due to delays linked to Covid-19 but is a cause for concern as it may impact on the council's ability to deliver against some of its strategic objectives.

58. As detailed at paragraph [51.](#), the council approved a capital programme of £117 million (£80 million for general fund projects and £37 million for HRA projects) for 2021/22.

59. The final outturn reported for the year showed that capital works costing £57 million were completed during 2021/22. This represented slippage against the original plan of 51 per cent. The main areas of project slippage are detailed in [Exhibit 8](#) on page [25](#).

60. While some of the slippage against the capital programme was attributable to the impact of Covid-19 on the scoping, commencement and progress with these projects, the overall level of slippage is a cause for concern as it may impact on the council's ability to deliver against some its strategic objectives.

Recommendation 4

Management should review the plans for all capital projects to ensure they have been updated to reflect to full impact of any delays caused by the Covid-19 pandemic or changes in the construction market. A realistic timetable for the actual completion of each project should then be shared with elected members.

Exhibit 8**Summary of main elements of slippage in the 2021/22 capital programme**

| Project | Slippage | | Main reasons for slippage |
|---|----------|-----|---|
| | £m | % | |
| Increased supply of council housing | 12.1 | 92 | For 2021/22 the council planned to complete 70 council houses but actual completions for the year were zero. The slippage in the New Build Programme was mainly due to the lack of availability of additional gross investment required to increase the supply and delivery of additional units of affordable housing. However, additional funding of £9.6 million was approved as part of the rents setting process in January 2021 and will be available to progress these projects in future years. Another factor in the underspend reported for 2021/22 was slippage in the Whitfield new build development due to delays resulting from a range of factors, including technical and design development issues, and statutory constraints. |
| Low carbon initiative – hydrogen | 7.4 | 100 | This project to support the production and delivery of Hydrogen buses and the construction of a Hydrogen Refueling Station has been delayed while the council discuss with partners the best way to take this initiative forward. |
| Energy efficient | 6.8 | 66 | The commencement of the External Insulation and Cavity Fill programme was delayed due to the impact of Covid-19. Progress was also affected by the revised installation standards introduced in July 2021 which caused further delays and will also increase the cost of the planned works. |
| Property development and improvement programme | 4.5 | 59 | The scoping of the various projects and technical design was affected by the pandemic. However, these projects are now progressing, and the budgets have been updated and re-profiled in to future years. |
| Free from serious disrepair | 4.1 | 56 | The windows and roofing programmes were reviewed during 2021/22 and the programme profile updated to reflect slippage due to the impact of Covid-19 and the challenges across the sector in sourcing materials which have delayed the overall programme. |

Source: 2021/22 Capital expenditure monitoring reports to Policy and Resources Committee

The council's external debt levels increased by £28.6 million over the last 12 months. The increased revenue costs associated with servicing higher levels of debt may present financial challenges in the medium-term.

61. During 2021/22 the council's external debt levels increased by £28.6 million, from £682.8 million at 31 March 2021 to £711.4 million at 31 March 2022. This increase was due to additional borrowing, partly offset by loan repayments,

during the year but was less than budgeted due to lower than anticipated capital project activity (paragraphs [58.](#) to [60.](#)).

62. Despite this increase in external debt over the last 12 months, the council's ratio of financing costs to net revenue remained static at 5.1 per cent for general fund services, and reduced from 35.1 per cent to 34.8 per cent for the HRA, due to higher net revenue in 2021/22. We consider the council's debt levels to be affordable and sustainable in the short term. However, the additional revenue costs associated with servicing higher levels of debt will present financial challenges in the medium-term, which could be further impacted by rising interest rates.

Financial systems of internal control operated effectively during the year, but we identified that controls could be strengthened to minimise the risk of fraud in supplier payments

63. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

64. Our interim letter was considered by the Scrutiny Committee in June 2022. This concluded that internal controls were generally operating as specified and that there were no issues which impacted on our audit approach. The interim letter highlighted our interim work programme had still to be fully concluded with accounts payable and journals testing yet to be completed. The completion of this testing identified one area where controls could be strengthened in relation to evidencing the council's confirmation of changes to suppliers standing information, especially where these changes are to the supplier's bank details. Management accepted this finding and agreed to implement improvements to address this control weakness. These improvements included a reminder of the key processes that need to be taken to ensure this risk is mitigated including only contacting companies by details registered within the system and ensuring all necessary documentation is held on file. The Corporate Fraud Team also regularly circulate information to ensure ongoing awareness of fraud risks in this area.

65. Although the control weakness identified through our testing presents an increased fraud risk to the council, there is no evidence that it has resulted in any financial loss, and, as such, it did not represent a risk of material misstatement for the 2021/22 financial statements. As a result, we did not require to make any changes to our planned approach for the 2021/22 financial statements audit.

The council has faced challenges in recruiting staff for a range of posts over the last 12 months. Councils across Scotland have faced similar recruitment challenges and management is investigating alternative means to attract suitably qualified applicants for vacant posts.

66. As highlighted in [Exhibit 7](#) on page [23](#), the council has carried a number of vacant posts across all services over the last year. It has also faced challenges making permanent appointments to other posts. This included the Head of Procurement and the Senior Manager for Internal Audit (paragraphs [142.](#) to [145.](#)) posts. Filling these vacancies has proved challenging as recruitment exercises have failed to attract sufficient numbers of applicants with the necessary skills and experience to undertake these roles.

67. Councils across Scotland have faced similar recruitment challenges and management is investigating alternative means to attract suitably qualified applicants for vacant posts.

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 into the future

Main judgements

The council's general fund balance increased to £61.3 million at 31 March 2022. However, £52.0 million (85 per cent) of this balance has already been earmarked, and further funds are likely to be required to meet the emerging inflationary cost pressures.

The Council approved a general fund revenue budget for 2022/23 of £392 million and raised council tax for the year by 2.9 per cent. The Council also approved a 1.5 per cent increase in rent levels for 2022/23 to fund the annual HRA budget of £56.5 million.

The 2022-2027 Capital Plan sets out a £382 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock.

The council has set aside money to meet additional revenue costs of around £4.4 million on roofing repairs work on council houses, and capital costs of £6.1 million on remedial repairs and maintenance at the Olympia pool in Dundee, and £1.5 million on the central heating system in Dundee House.

Future financial plans are challenging with the council's medium-term financial strategy projecting a cumulative funding gap of £44.7 million for the period 2023-2027. The council's future revenue and capital plans could be impacted by inflationary pressures, including the impact of the 2022/23 pay award for teachers and further increases in construction costs.

The council's general fund balance increased to £61.3 million at 31 March 2022. However, £52.0 million (85 per cent) of this balance has already been earmarked, and further funds are likely to be required to meet the emerging inflationary cost pressures.

68. As shown in [Exhibit 9](#), the level of usable reserves held by Dundee City Council increased by £10.9 million during 2021/22, from £69.9 million at 31 March 2021 to £81.3 million at 31 March 2022. The £11.4 million increase in the

General Fund balance over the last 12 months reflects the in-year underspend against the revenue budget and Covid-19 funding received but not fully spent during the year (paragraphs [53.](#) to [55.](#)), and the increase in the Repair and Renewal Fund balance reflects the underspend reported against the annual HRA revenue budget due to lower than anticipated repairs and maintenance activity (paragraphs [56.](#) and [57.](#)).

69. The council's agreed long term financial strategy states that the minimum uncommitted element of the General Fund balance will be maintained at the lower of £7 million or two per cent of budgeted revenue expenditure but, ideally, a higher level will be held for operational purposes. The uncommitted general fund balance of £9.8 million at 31 March 2022, [Exhibit 9](#), represents 2.7 per cent of the budgeted revenue expenditure and is in line with the reserves strategy.

Exhibit 9 Dundee City Council usable reserves

| Reserve | 31 March 2020 (£m) | 31 March 2021 (£m) | 31 March 2022 (£m) |
|---|--------------------------|--------------------------|--------------------------|
| General fund – uncommitted | 8.0 | 8.1 | 9.3 |
| General fund – committed | 8.5 | 42.5 | 52.0 |
| Repairs and renewal fund | 9.3 | 11.5 | 13.2 |
| Capital grants and receipts unapplied account | 11.8 | 5.0 | 1.7 |
| Capital fund | 0.6 | 0.6 | 3.6 |
| Insurance fund | 3.3 | 2.2 | 1.5 |
| Total usable reserves | 41.5 | 69.9 | 81.3 |

Source: Dundee City Council Annual Accounts

70. Under normal circumstances, the level of usable reserves held is one of the key measures of the financial health of a body. However, the financial impact of the pandemic on Dundee City Council is likely to extend across several years, and the council's revenue and capital budgets will also be impacted by inflationary pressures due to the current cost of living crisis, including significant cost pressures on staff and energy costs. Therefore, a significant portion of the additional funds currently held in usable reserves will be required in future years to address these ongoing financial pressures.

71. The council earmarked £18 million of the General Fund balance at 31 March 2022 for Covid-19 related costs pressures, and a further £3 million was earmarked for Covid-19 recovery measures. £5.5 million was earmarked to cover inflationary pressures, including energy, fuel and increased contract charges linked to inflation. A further £5.0 million to fund service change initiatives and £4.4 million to fund the roof remedial works (paragraph [84.](#)) of the general fund balance was earmarked at 31 March 2022.

The Council approved a general fund revenue budget for 2022/23 of £392 million and raised council tax for the year by 2.9 per cent

72. The financial impact of Covid-19 on services, local businesses and residents was a key consideration in the development of the 2022/23 budgets. The budget discussions were informed by a consultation exercise undertaken during November and December 2021 that sought the public's views on the council's response to the pandemic, current and future services, and the level of council tax for the coming year.

73. In February 2022 the Council approved a general fund revenue budget for 2022/23 of £392 million. The budget was based on raising council tax by 2.9 per cent and a provision of 3.2 per cent for uncollected council tax income.

74. The approved budget did not include the use of reserves or financial flexibilities available to mitigate, or defer, the financial impact of Covid-19. However, this will be kept under review by the council during the course of the year based on the projected financial outturn. We also noted that the budget was set prior to the 2022/23 pay awards being agreed or the full extent of the current cost of living crisis being known.

The council is utilising £2.3 million allocated to it for 2022/23 to support local economic recovery and help mitigate the cost of living impacts on low-income households

75. In February 2022 the Scottish Government established an £80 million Local Authority Covid Economic Recovery Fund to support local economic recovery and help mitigate the cost of living impacts on low-income households. The conditions of the funding permitted councils to allocate support in the following ways:

- interventions that support local economic recovery and contribute to businesses being able to move from surviving the period of trading restrictions towards recovery, growth, adaptation and building resilience
- projects that can rebuild consumer confidence and stimulate demand and economic activity in their specific context
- support to low-income households, that are disproportionately impacted by the pandemic and the current cost of living crisis, to become more economically active.

76. Dundee City Council was allocated £2.3 million from the fund for use in 2022/23. Following consideration at the Policy and Resources Committee meeting in April 2022, members approved the following use of these funds to support local economic recovery and mitigate the impact of cost of living rises on low-income households:

- £0.8 million to implement a third Fuel Well scheme (following on from schemes in 2020/21 and 2021/22) to assist with the fuel costs of those in greatest need of support

- £0.4 million to continue the support for food provision across the city
- £0.2 million to invest in additional resources to support individuals in accessing money and energy advice
- £0.5 million to establish a Business Growth and Innovation Fund to support a business recovery scheme for the city
- £0.4 million to be held as a contingency and allocated during the year based on levels of demand for above schemes or new emerging pressures.

The Council approved a 1.5 per cent increase in rent levels for 2022/23 to fund the annual HRA budget of £56.5 million

77. In February 2022 the council approved a 1.5 per cent increase in the average weekly rent levels for tenants for 2022/23. The rent level set reflected the income required to fund the annual HRA budget of £56.5 million.

78. The approved budget included an allowance for public sector pay increases of 2 per cent for 2022/23. However, it is now anticipated that the actual pay settlement for the year may be significantly higher than this level. As the 2022/23 rent levels are set and can not be revisited, these additional costs will need to be funded from savings and underspends within the approved annual budget.

79. Although rent levels have been raised for 2022/23, the average weekly rent levels across the council's housing stock remain lower than the Scottish average.

The 2022-2027 Capital Plan sets out a £382 million programme of expenditure which includes improvements to the school estate and investment in new and existing housing stock

80. The 2022-2027 Capital Plan was approved in January 2022. The plan detailed a £382 million programme of work, split between £265 million of general fund projects and £117 million of housing revenue account projects, with expenditure of £99 million (£75 million general fund projects and £24 million HRA projects) scheduled for 2022/23.

81. The general fund capital programme for the next 5 years includes a £78 million investment in further improvements to the school estate, with the majority of this activity scheduled to be completed during 2023/24 and 2024/25. £18 million has also been allocated for further projects at Dundee Waterfront. There is also planned investment in additional nursery accommodation to meet the expansion in early years provision, community facilities, improvements to parks and green spaces, and investment in Leisure and Culture Dundee projects

82. The HRA capital programme for the next 5 years includes council investment in the increased supply of council housing of £28 million (including the costs of providing 206 new build council houses, with 82 scheduled for

completion in 2022/23) and over £100 million for a range of improvements to existing housing stock, including £47 million for energy efficient works as part of the council's response to the climate change emergency.

83. Management has advised that due to the impact of increasing energy prices, and other inflationary pressures on the costs of construction, it plans to review the capital programme to establish the affordability of the current projects and how these can be prioritised.

The council has set aside money to meet additional revenue costs of around £4.4 million on roofing repairs work on council houses, and capital costs of £6.1 million on remedial repairs and maintenance at the Olympia pool in Dundee, and £1.5 million on the central heating system in Dundee House

84. As noted in our 2021/22 Annual Audit Plan, a special meeting of the Scrutiny Committee was held on 24 March 2022 to consider two significant issues in relation to the council's asset infrastructure. The areas considered were:

- **Roofing repairs:** It had been identified that roofing repairs undertaken in recent years did not meet current British building standards and remedial work was required on the relevant buildings to bring them up to these standards. The council appointed PwC to undertake an independent inquiry in this area. Alongside this, internal audit undertook a wider review of the arrangements in place across all services to ensure that legislation and regulatory updates are reviewed and implemented timeously.
- **Olympia Swimming Pool closure:** The pool is owned by the council and managed and operated by Leisure and Culture Dundee. The pool is closed for an extended period to allow extensive maintenance and refurbishment work to be undertaken.

85. A further issue relating to the council's asset infrastructure was also identified by officers during the year. This was with the central heating in Dundee House and required much of the pipework to be replaced. A review of the council's property portfolio identified 58 installations of similar pipework but the vast majority of these installations continue to perform as anticipated. In four properties a minor number of leaks at joints have been located and repaired and leak detection systems have been installed in higher risk areas. Ongoing testing and monitoring will be undertaken to promptly identify any installations that require further works.

86. Management has assessed the extent of the works required to address the above issues and has set aside money to meet additional revenue costs of around £4.4 million on the roofing repairs work on council houses, and capital costs of £6.1 million on the remedial repairs and maintenance at the Olympia pool in Dundee, and £1.5 million on the central heating system in Dundee House.

Management is taking action to improve the quality inspection regime for capital works

87. In response to the roofing repairs issues (paragraph [84.](#)), management instructed internal audit to complete a review of the arrangements in place across council services to ensure that relevant new or changed legislative and regulatory requirements are identified and, where appropriate, addressed timeously.

88. The outcome of internal audit's review was reported to the Scrutiny Committee in April 2022. The principal conclusion drawn was that: '*...whilst there is basically a sound system of control there are some areas where it is viewed improvements can be made*'. The report included overarching recommendations for improvement which included actions to embed the good practice arrangements already in place in some areas, across all services. The recommendations covered the 3 areas covered by the review, namely the:

- (1)** Arrangements for identifying, communicating and implementing legislative and regulatory updates.
- (2)** Evidence of arrangements in respect of legislative and regulatory updates.
- (3)** Responsibility for ensuring awareness and adherence to current legislation / regulations.

89. Management accepted internal audit's findings and a Risk and Assurance Board was established in June 2022 with a remit that includes oversight of changes associated with new legislation and regulations.

90. Following the discussions at the special meeting of the Scrutiny Committee in March 2022, the Council engaged PwC to conduct a separate independent review in to the circumstances surrounding the roofing repairs issues to establish how this had occurred, and whether it indicated wider failings in the council's quality inspection regime for capital works. The findings from PwC's review will be reported to the Scrutiny Committee in December 2022.

Future financial plans are challenging with the council's medium-term financial strategy projecting a cumulative funding gap of £44.7 million for the period 2023-2027

91. The budget paper to the February 2022 meeting of the Policy and Resources Committee identified the requirement for the council to achieve in-year savings of £0.7 million (over and above base budget savings for the year of £1.6 million) for 2022/23. The council's medium-term financial strategy was taken to the Policy and Resources Committee in September 2022. This projected a cumulative funding gap of £44.7 million for the period 2023-2027.

92. Achieving the required savings for future years, against a backdrop of the continuing financial impact of the Covid-19 pandemic and significant inflationary cost pressures, will be challenging.

The council is planning to utilise 2021/22 revenue budget underspends to fund the 2022/23 pay settlement for non-teaching staff. The pay settlement, and funding arrangements, for teaching staff for 2022/23 is still to be determined.

93. The cost of the 2022/23 pay awards for council staff will be higher than the pay uplifts assumed in the preparation of the council's annual revenue budget. The Scottish Government is consulting with COSLA on a range of potential funding options and the availability of any additional revenue or capital funding that could reduce the impact on council's budgets for the year.

94. The council is planning to utilise the 2021/22 revenue budget underspends to fund the 2022/23 pay settlement for non-teaching staff. The pay settlement, and funding arrangements, for teaching staff for 2022/23 is still to be determined.

The council are still evaluating a collective equal pay claim received in February 2021

95. In February 2021, the trade unions submitted a collective equal pay claim on behalf of their members under the Equality Act 2010. The claim is for the full 5 year back-pay period and / or from their date of employment, if such a date is less than 5 years ago. The claimants are employed in predominantly female jobs groups (and/or groups of which the proportion of female workers is far greater than that in the comparator groups). The claim is still being evaluated by the council. At this stage, it is not possible to quantify the council's financial liability, if any.

96. While it is not possible to establish at this stage whether any cash outflow will result from the equal pay claim, this presents a potential financial sustainability risk to the council for future years. A contingent liability is disclosed in the 2021/22 annual accounts to reflect this.

The council's annual Scottish Attainment Challenge allocation is due to reduce from £6.2 million in 2021/22 to £1.3 million in 2025/26. This presents a challenge for the council in continuing to support improvements in attainment levels across the city.

97. The Accounts Commission findings in the [Best Value Assurance Report](#) highlighted the need for the council to make quicker progress in narrowing the attainment gap for more vulnerable or disadvantaged children.

98. The Scottish Attainment Challenge (SAC) was launched by the First Minister in February 2015. It is underpinned by The National Improvement Framework, Curriculum for Excellence and Getting it Right for Every Child. 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. It focuses on improvement activity in literacy, numeracy and health and wellbeing in specific areas of Scotland.

99. The money provided from the Attainment Scotland Fund since 2015 has been targeted at supporting pupils in the nine local authorities of Scotland with the highest concentrations of deprivation. Dundee City Council is one these local authorities and received an allocation from the fund of £6.2 million in 2021/22.

100. In November 2021, the Cabinet Secretary for Education and Skills set out to Parliament plans for SAC for 2022/23 to 2025/26. This next phase of the SAC has been developed in partnership with and agreed by COSLA and builds on the evidence and progress as detailed in the Scottish Government, Education Scotland, OECD and Audit Scotland reports. It will continue to provide support for children and young people impacted by poverty through funding to local authorities, Pupil Equity Funding, Care Experienced Children and Young People funding.

101. The plans for SAC include a clearer and funded strategic role for all local authorities, recognising the impact of poverty and the pandemic across every local authority area in Scotland compared to the funding which was previously distributed across the nine local authorities with the highest concentrations of deprivation.

102. In order to manage the change in distribution, 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 Dundee City Council is that its annual SAC allocation will reduce by 79 per cent to £1.3 million by 2025/26, [Exhibit 10](#). This presents a challenge for the council in continuing to support improvements in attainment levels across the city.

Exhibit 10

Dundee City Council Scottish Attainment Challenge funding and allocations

| Year | Amount (£m) | Reduction against 2021/22 funding levels (%) |
|---|-------------|--|
| 2021/22 (final year of targeted SAC funding arrangements) | 6.2 | - |
| 2022/23 | 5.0 | 19 |
| 2023/24 | 3.8 | 39 |
| 2024/25 | 2.5 | 60 |
| 2025/26 | 1.3 | 79 |

Source: Scottish Attainment Challenge update paper for Policy and Resources Committee meeting on 24 January 2022

The council's future revenue and capital plans could be impacted by inflationary pressures, including the impact of the 2022/23 pay award for teachers and further increases in construction costs

103. As detailed at paragraphs [91.](#) and [92.](#), the council's medium-term financial strategy projected a cumulative funding gap of £44.7 million for the period 2023-2027. The current cost of living crisis is having a major financial impact on all Scottish councils and will present further longer-term challenges as the impact of local government pay settlements, increasing construction costs, and other inflationary pressures, affect the affordability of both revenue and capital plans for the foreseeable future.

The council, NHS Tayside and Dundee City Health and Social Care Partnership are working together on how best to deliver and fund health and social care services

104. The council provided funding of £96.486 million to the Dundee City IJB for the provision of health and social care services during 2021/22. Dundee City Health and Social Care Partnership's Integration Scheme includes a risk share arrangement that requires Dundee City Council and NHS Tayside to absorb a share of any overspend against budget in proportion to their respective budget contributions for the year, and the council and health board have been required to provide additional funding to the IJB in past years.

105. The integration scheme was recently revised and now also includes a condition stating that: *"Where the parties make additional payments to cover an overspend then the parties will discuss whether recovery of those additional payments in future years from the IJB should be pursued. In the event that the parties agree that the recovery of additional payments is to be pursued this will be over a maximum period of 3 years on a basis and repayment profile to be agreed between the parties, in consultation with the IJB. Consideration of whether to recover additional payments made by the parties will be informed by an assessment of the reasons for these payments and the implications for the parties and IJB of doing so."* This new arrangement is intended to provide greater accountability for IJBs in delivering health and social care services within budget.

106. The IJB held usable reserves of £39.0 million at 31 March 2022, including £15.6 million of unspent Covid-19 funding and an uncommitted general fund reserve balance of £9.9 million, however, some of these reserve balances could potentially be clawed back by the Scottish Government during 2022/23.

107. Dundee City Health and Social Care Partnership's financial plan for 2022/23 projects a break-even position, after use of reserves. As explained above, Dundee City Council is exposed to the financial risks of any Health and Social Care Partnership overspends for the year.

108. The council, NHS Tayside and Dundee City Health and Social Care Partnership are continuing to work together to deliver health and social care services as efficiently and effectively as possible.

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

109. 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.

110. 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.

111. Dundee City Council contributed to the consolidated response from COSLA to the Scottish Parliament's call for evidence to the new National Care Service Bill, and management has committed to providing members with updates as the proposals develop over the coming year.

4. Governance and transparency

Governance and transparency relate to the effectiveness of scrutiny and oversight, and transparent reporting of information

Main Judgements

Following the May 2022 local government elections, the council has an SNP majority administration. The new Council approved the same decision-making structure as had been used for the previous administration. The council has an effective training programme to support new and returning councillors.

The council had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2021/22 and conducted its business in an open and transparent manner.

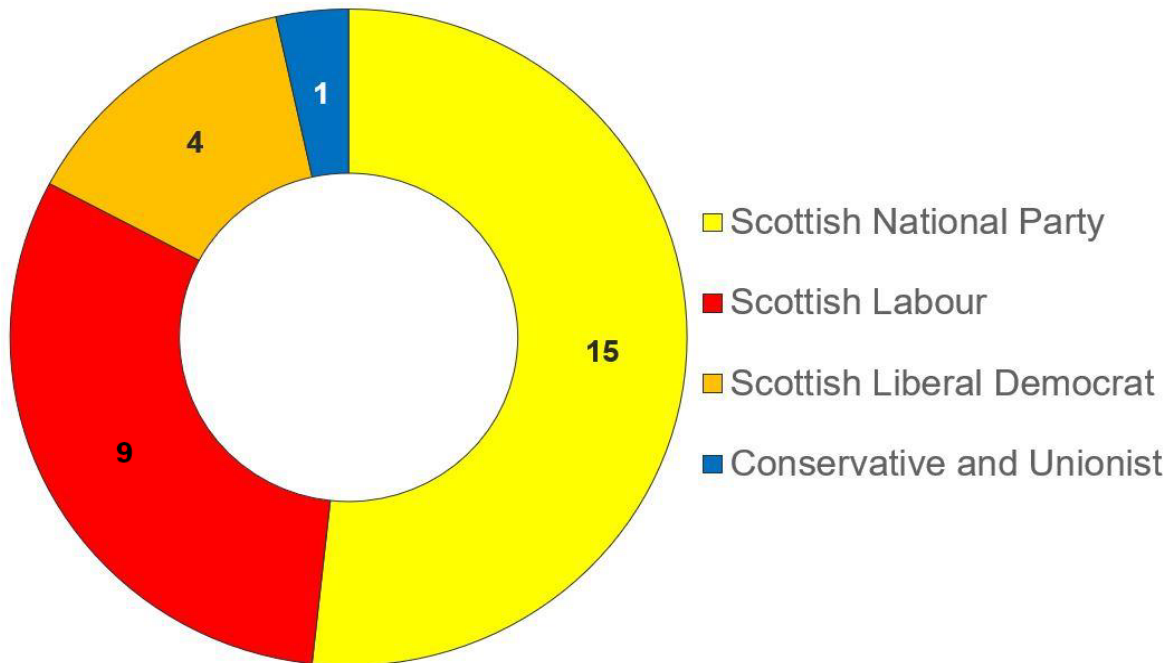
The council has agreed a partnership arrangement with Angus Council to share its Chief Internal Auditor on a part-time basis. This pilot arrangement commenced in October 2022 and will be reviewed within 12 months.

Target dates for implementing some improvement actions from internal audit reports are not being met. Management should ensure that outstanding improvement actions agreed from internal audit reports are completed as a matter of priority or revised dates are reported to elected members.

Following the May 2022 local government elections, the council has an SNP majority administration

112. Following the local government elections in May 2022, 29 members representing the 8 multi-member wards were elected across Dundee. The political composition is shown in [Exhibit 11](#) on page [39](#).

113. Councillor Alexander, as the leader of the SNP majority administration, was re-appointed as the Leader of the Council, having previously held the post as part of the SNP minority administration who led the council in the preceding five years.

Exhibit 11**Political composition of the council following May 2022 local government elections**

Source: Dundee City Council website

The new Council approved the same decision-making structure as had been used for the previous administration.

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

115. At its first meeting on 23 May 2022, the new Council approved the same decision-making structure as had been used for the previous administration. This consists of four strategic service area committees: a Policy and Resources Committee, Planning Committee, Scrutiny Committee and a Licensing Committee. This committee structure is unusual as all 29 councillors sit on all committees, other than the Scrutiny and Licensing committees.

116. The Scrutiny Committee comprises eight members drawn from all political groups on the council. The leader of the Labour group (as the main opposition group) was appointed Convener of the committee and the leader of the Scottish Liberal Democrat group was appointed as the Deputy Convener.

117. As reported in the council's [Best Value Assurance Report](#), the committee structure and meeting arrangements work well for a council of this size.

The council has an effective training programme to support new and returning councillors

118. Nine new councillors were elected to the Council at the local government elections in May 2022. To support these new members, and continuing members, the council provided a comprehensive induction programme which included sessions outlining members' key roles and responsibilities as councillors, and training on the ethical standards regime. Tailored training was also provided to members based on their specific responsibilities, this included bespoke training for councillors sitting on the Licensing Committee and the Development Management Committee.

119. The council has also adopted the Continuing Professional Development Framework, developed by the Improvement Service, for elected members and will develop individual member training needs assessments, and personal development plans, for all councillors to ensure their training requirements continue to be met going forward. This will include access to an online portal specifically designed for elected members' needs to support them in policy and learning and development requirements.

Dundee City Council had appropriate and effective governance arrangements in place to support scrutiny of decision-making during 2021/22

120. Councillors 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.

121. We have reviewed and monitored the operation of the governance arrangements during the course of the audit appointment, including as part of the BVAR fieldwork, and concluded that they are effective and support good governance and transparency.

122. Due to the ongoing impact of Covid-19 pandemic all meetings of the full council and other committees were held remotely via Microsoft Teams throughout 2021/22. However, we have not noted any adverse impact on the level of scrutiny due to these meetings being held remotely.

123. As part of our audit of the 2021/22 annual accounts we reviewed the Annual Governance Statement in the accounts presented for audit and suggested some revisions to enhance the disclosures included. These were accepted by management and are reflected in the audited accounts. We are content that the Annual Governance Statement in the audited 2021/22 annual accounts accurately reflects the operation of the council's governance arrangements during the year.

The council conducted its business in an open and transparent manner

124. Transparency means that the public have access to understandable, relevant and timely information about how the council is taking decisions and how it is using resources such as money, people and assets.

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

- Members of the public can attend the virtual meetings of the full council and other committees. Recordings of these meetings, and the minutes and supporting papers, are also available on the council's website.
- The council's website allows the public access to a wide range of information including the register of councillors' interests, current consultations and surveys and service performance data. In addition, the home page provides updates on recent developments and links to useful information, including how to access cost of living support and advice.
- The council makes its annual accounts available on its website. These include a management commentary which adequately explains the council's financial performance for the year (paragraphs [127.](#) to [130.](#)).

126. Overall, we concluded that the council continues to conduct its business in an open and transparent manner.

The management commentary in the 2021/22 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year, including the impact of Covid-19 and the funding and support received

127. In addition to the consistency opinion on the management commentary covered in Part 1 of this report, we also consider the qualitative aspects of the management commentary included in the annual accounts. The purpose of the management commentary is to provide information on the council, its main objectives and strategies, and the principal risks that it faces. It is required to provide a fair, balanced and reasonable analysis of a council's performance and is essential in helping stakeholders understand the financial statements.

128. As part of our review of the management commentary in the 2021/22 annual accounts we also considered the adequacy of the narrative and disclosures included in relation to the Covid-19 funding and support received during the year (paragraphs [53.](#) and [54.](#)).

129. As in 2020/21, the council included additional disclosures within the management commentary and at *Note 17. Agency Services* and *Note 50. Coronavirus / Covid 19 Response – Costs and Income - Service Costs and Income* in the 2021/22 annual accounts in respect of the Covid-19 support scheme funding received during the year. We reviewed these disclosures as part of our financial statements audit and concluded that they provided a clear

picture of the financial impact of Covid-19, and the additional funding received, during the year.

130. We concluded that the management commentary in the 2021/22 annual accounts provided a fair, balanced and reasonable analysis of the organisation's financial performance for the year.

Internal audit complied with the main requirements of the Public Sector Internal Audit Standards and had sound documentation standards and reporting practices in place during 2021/22

131. The internal audit function at Dundee City Council is managed by the Senior Manager – Internal Audit (i.e. Chief Internal Auditor) and during 2021/22 was provided by an in-house internal audit team, supplemented by staff from KPMG as part of a co-sourcing arrangement.

132. Each year we consider whether we can rely on internal audit work to avoid duplication of work, and as part of our planning process we reviewed the council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

133. Our annual assessment of the internal audit function reviews the documentation and reporting standards in place, and compliance with the main requirements of the Public Sector Internal Audit Standards (PSIAS). This confirmed that the section had sound arrangements in place and complied with the PSIAS requirements during 2021/22

Internal Audit concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the council's framework of governance, risk management and control for the year to 31 March 2022

134. In our 2021/22 Annual Audit Plan we noted that we planned to place formal reliance on internal audit's work in payroll for our financial statements' responsibilities. However, due to the timing of this work we decided to conduct our own testing in this area to enable internal audit to focus on its prioritised work during the period of our interim testing, including the completion of the unplanned Legislative and Regulatory Updates review in response to the roofing repairs issues (paragraphs [87.](#) to [89.](#)).

135. The Internal Audit Annual Report was considered by the Scrutiny Committee in June 2022 and provided the opinion of the Acting Senior Manager – Internal Audit that reasonable assurance could be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and control for the year to 31 March 2022. This opinion was reflected in the Annual Governance Statement in the council's 2021/22 Annual Accounts.

136. The Internal Audit Annual Plan for 2021/22 was approved by the Scrutiny Committee in April 2021. Due to additional demands on internal audit's resources during the year, including completion of the unplanned Legislative

and Regulatory Updates review in response to the roofing repairs issues, some revisions were made to the original plan. These changes were approved by the Scrutiny Committee in April 2022. They were also discussed with ourselves as external auditors, and we accepted that it reflected a sensible prioritisation of internal audit activity and resources. This did not impact on the assurances provided by internal audit for the 2021/22 accounts.

Internal Audit's follow-up review of its 2020/21 report on the controls over materials purchasing in Construction Services identified that that only one of the four recommendations has been fully implemented

137. During 2020/2021, an Internal Audit review of the controls over materials purchasing in Construction Services identified significant weaknesses, including:

- The arrangements in place to ensure the procurement of materials complied with the council's tender procedures, financial regulations and corporate procurement processes.
- The adherence to expected procurement processes for the purchase of materials for the Construction Services store using Scotland Excel frameworks.
- Weaknesses in the processes for requisition, ordering and receipt of materials, including authorisation arrangements, segregation of duties and the number of officers with the authority to raise a requisition and order.
- The high volume of orders requested via emergency procedures as materials are required immediately, indicating that it is more common practice than would be expected.

138. Due to the extent of the weaknesses identified through this review, they were disclosed in the Annual Governance Statement in the 2020/21 Annual Accounts. Internal audit conducted a follow-up review as part of its 2021/22 audit work. The results of the follow-up review were reported to the Scrutiny Committee in June 2022 and highlighted that only one of the four recommendations had been implemented in full, whilst the remaining three recommendations have been partly implemented, these relate to:

- Permanent appointment to key procurement posts in Building Services
- Revised arrangements for the purchase of store materials
- Controls and audit trail for requisitioning, ordering and receipting of non-store materials.

139. Internal audit's follow-up review did confirm that Construction Services has developed an action plan for implementation of the remaining elements of these recommendations, but also noted that the timescale for completion of all elements of the recommendations ranges from July 2022 until April 2023. Management should progress the outstanding actions as a matter of priority.

Management should ensure that outstanding improvement actions agreed from internal audit reports are completed as a matter of priority or revised dates are reported to elected members

140. Over the course of our audit appointment, we have noted that the council's internal audit function has worked well with services to strengthen the internal control environment and develop robust controls and checks for new areas of activity. We have also noted from our review of internal audit reports that they include clear and focussed recommendations for improvement that are accepted by management.

141. We highlighted in our 2020/21 Annual Audit Report that our review of the follow-up reviews undertaken by internal audit during the year identified a number of areas where progress has been slow in implementing the agreed recommendations from the original report and we recommended that management progressed the outstanding actions as a matter of priority. We have noted similar issues in 2021/22 with management's implementation of the recommendations from internal audit's review of the controls over materials purchasing in Construction Services (paragraphs [137.](#) to [139.](#)). We therefore reiterate this recommendation.

Recommendation 5

Management should ensure that the outstanding actions identified through internal audit reports are completed as a matter of priority or revised dates are reported to elected members.

The council has agreed a partnership arrangement with Angus Council to share its Chief Internal Auditor on a part-time basis. This pilot arrangement commenced in October 2022 and will be reviewed within 12 months.

142. The Senior Manager – Internal Audit left the council in November 2021 and interim arrangements were put in place for the Principal Internal Auditor to formally act-up until the end of June 2022, ahead of the post being filled on a permanent basis. This decision ensured the continuity of the internal audit service in delivering the 2021/22 audit plan along with its private sector partner, KPMG.

143. Due to issues recruiting a new Senior Manager, the Principal Internal Auditor, agreed to extend their period acting up to the end of September 2022 to enable management to investigate options to fill the post on a permanent basis.

144. Following three unsuccessful campaigns to recruit a new Senior Manager for Internal Audit, the council agreed a partnership arrangement with Angus Council to share its Chief Internal Auditor on a part-time basis. This pilot arrangement commenced in October 2022 and will be reviewed within 12 months.

145. KPMG's contract to provide internal audit services to the council as part of the co-sourcing arrangement ended on 30 June 2022, following the conclusion of the 2021/22 internal audit plan work. Management are considering a range of options for resourcing the function going forward.

Recommendation 6

Management should ensure that the internal audit function continues to operate in accordance with the Public Sector Internal Audit Standards and has sufficient resources to complete its agreed 2022/23 workplan.

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

146. The council is responsible for having arrangements in place to prevent and detect fraud, error and irregularities. Furthermore, it is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

147. The council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy, anti-bribery policy and codes of conduct for councillors and officers. The council's Corporate Fraud Team provide reports on its activity to the Scrutiny Committee and the council also has a Corporate Integrity Group which was set up to improve the council's resilience to crime, fraud and corruption.

148. We assessed these arrangements to ensure that they were appropriate and that documents are readily available to staff and regularly reviewed to ensure they remain relevant and current. Overall, we concluded that the council's arrangements are appropriate.

A report on investigations relating to a previous contract award will be taken to the committee as soon as it is possible to do so

149. As previously reported, internal investigations by the council's Human Resources Service and Corporate Fraud Team surrounding a previous contract award concluded in 2019/20. The Council passed this to Police Scotland for investigation, and a formal report on the case will be taken to the relevant committee as soon as it is possible to do so.

The council has well-established arrangements in place for investigating and reporting data matches identified by the National Fraud Initiative

150. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland which aims to prevent and detect fraud. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

151. The council has participated in the initiative for a number of years and has well-established processes in place for investigating the data matches identified by the NFI and reporting the results to the Scrutiny Committee.

152. The [National Fraud Initiative in Scotland 2022](#) report was published in August 2022. This detailed the national results from the latest NFI exercise which ran over 2020/21 and 2021/22. This identified nearly £15 million of public sector fraud across Scotland, including: £4.6 million in reduced or removed council tax discounts, £1.5 million in occupational pensions not being paid out, and £1.2 million in housing benefit payments stopped or reduced.

153. The local results of the latest NFI exercise were reported to the Scrutiny Committee in September 2022 and highlighted total overpayments identified through the exercise of £0.166 million and estimated savings from the exercise of £0.489 million, with the majority relation to pensions payments and council tax discounts.

5. Best Value

Best Value is about using resources effectively and continually improving services

Main judgements

The Dundee Partnership recently approved a new City Plan for 2022-2032 that identifies its strategic priorities and high-level outcomes for the next 10 years. The new Council Plan for 2022-2027 will set out how Dundee City Council will play its part in delivering the vision set out in the City Plan over the next 5 years.

The Dundee Partnership continues to work with the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee. The partnership is committed to progressing actions on delivering improved outcomes for citizens impacted by poor mental health or drug use, with this being included as a top priority in the new City Plan 2022-2032.

Good progress has been made in implementing the actions to deliver the recommendations for improvement in the 2020 Best Value Assurance Report (BVAR). The council and its partners should now focus on ensuring that these actions are having the desired impact, and considering what other activity is required to address the city's significant demographic, economic and social challenges.

The council has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality and fairness is embedded in the activity of the organisation. The council has rolled out a new Integrated Impact Assessment model and training to improve the quality of the assessments and increase the involvement of equality groups, to support better outcomes for citizens.

The council aims to be in the top half of its family group of peers for 55 per cent of LGBF indicators, in 2020/21 48 per cent were in the top half, an improvement on the 44 per cent reported for 2019/20. The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the longer-term impact of the pandemic, and the current cost of living crisis.

The Dundee Partnership recently approved a new City Plan for 2022-2032 that identifies its strategic priorities and high-level outcomes for the next 10 years

154. The City Plan 2017-2026 was Dundee's first Local Outcome Improvement Plan and set out an ambitious vision for the city. It was framed around jobs, social inclusion and quality of life and identified strategic priorities and high-level outcomes for the Dundee Partnership to improve the city. It also included ambitious targets for each outcome over one, three and ten years. Dundee City Council is part of the Dundee Partnership which also includes NHS Tayside, Dundee Third Sector Interface, Police Scotland, Scottish Fire and Rescue Service, both Universities, Dundee and Angus College, Leisure and Culture Dundee, Dundee and Angus Chamber of Commerce, Skills Development Scotland, Scottish Enterprise, Department for Work and Pensions, and Tayside and Central Scotland Transport Partnership (TACTRAN). Local Communities are also represented on the Management Group, with two Dundee residents participating.

155. Since the publication of the original City Plan there have been significant changes in the external environment, including the impact of Brexit, the Covid-19 pandemic and the current cost of living crisis, that have impacted upon the scale of the challenges faced by the city. As a result, the partnership recently approved a new City Plan for 2022-2032 which identifies its strategic priorities and high-level outcomes for the next 10 years.

156. The Best Value Assurance Report for the council highlighted that the Dundee Partnership promotes good working relationships between a wide range of public-sector, business and academic partners, and the third sector. Key to the partnership delivering improvements will be continuing to build on these relations, and the positive impact of the pandemic on joined up working between different partners and breaking down some of the formal and informal barriers that exist between different organisations.

The new Council Plan for 2022-2027 will set out how Dundee City Council will play its part in delivering the vision set out in the City Plan over the next 5 years

157. Following the local government elections in May 2022 (paragraphs [112.](#) and [113.](#)), the new Council began work on the new Council Plan 2022-2027. This is being developed alongside the new City Plan 2022-2032 (paragraphs [154.](#) to [156.](#)) and will set out how Dundee City Council will play its part in delivering the vision set out in the City Plan over the next 5 years.

158. The new Council Plan will again include scorecards for its five strategic service directorates, as well as Leisure and Culture Dundee and the Dundee Health and Social Care Partnership. These will enable the council to monitor and assess progress against its targeted outcomes, and inform an annual progress report which will be published each year.

The council's Best Value Assurance Report was published in September 2020 and reported that the council had demonstrated a steady pace of improvement since the previous Best Value audit in 2011

159. Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

160. The [Best Value Assurance Report](#) for Dundee City Council was published on 29 September 2020 and reported that the council had demonstrated a steady pace of improvement since the previous Best Value audit in 2011. It also highlighted that the council recognises that the pace of improvement needs to increase in some areas to address the city's significant demographic, economic and social challenges. The report included eight recommendations which were endorsed by the Accounts Commission.

Good progress has been made in implementing the actions to deliver the recommendations for improvement in the BVAR. The council and its partners should now focus on ensuring that these actions are having the desired impact, and considering what other activity is required to address the city's significant demographic, economic and social challenges.

161. At its meeting on 16 November 2020, the Council approved a Best Value Assurance Report Improvement Plan which set out 21 actions to address the eight recommendations in the BVAR. For each of these actions the plan detailed the lead officer responsible for delivering the action, the proposed timescale for it to be completed, and the success criteria that the impact of the action would be measured against. The plan also included a further 10 actions to address other areas highlighted in the Accounts Commissions findings, or linked to areas covered by the scope of the BVAR, namely:

- The council must work with partners to ensure it addresses the City's complex and deep-rooted challenges including drugs related deaths, pressures around poverty, significant issues within mental health services, and the financial sustainability of the IJB.
- Continue to improve monitoring of segmented absence data in order to discover the root causes of employee absence.
- Address recurring areas for improvement in public protection in external scrutiny reports and internal self-evaluation activities.

162. Reports on the progress with the implementation of the improvement actions agreed to address the findings and recommendations from the BVAR are taken to the Policy and Resources Committee every six months for members consideration.

163. We reported in our 2020/21 Annual Audit Report that, despite the impact of Covid-19, good progress had been made in implementing many of the actions to deliver the recommendations for improvement from the report. [Exhibit 12](#) on page [50](#), provides a further update on progress with the approved actions relating to the eight recommendations in the BVAR, based on the position reported to the June 2022 meeting of the Policy and Resources Committee, and shows that these are now substantially complete. The council and its partners should now focus on ensuring that these actions are having the desired impact, and considering what other activity is required to address the city's significant demographic, economic and social challenges.

Exhibit 12

Council response and progress against recommendations in BVAR

| Recommendation | Council response and progress to date |
|--|--|
| <p>1. Consideration should be given to extending the support provided, to non-elected committee members.</p> | <p>Substantially complete</p> <p>Progress with this recommendation was initially delayed due to the involvement of Learning and Organisational Development Service staff in the council's Covid-19 response.</p> <p>Following the local government elections in May 2022, induction training was rolled out to all committee members. Officers are now engaging with the elected and non-elected members on their personal development needs to enable management to develop individual training plans to meet those specific needs.</p> |
| <p>2. Regular performance reports need to be presented to councillors which include performance data for the current year, covering all services.</p> | <p>Substantially complete</p> <p>A revised Performance Management Framework (PMF) 2021-24 was approved in March 2021. New 3-year service plans were also approved in June 2021 and performance against these was reported during 2021/22. Awareness sessions will be provided to new members to ensure they understand the performance information being reported and are able to appropriately scrutinise and challenge service performance.</p> |
| <p>3. Workforce plans need to be developed for all services to demonstrate that staff have the capacity and skills to deliver the council's priorities.</p> | <p>In progress</p> <p>The Council approved actions to assess the current workforce skills against future needs to determine any skills gap and succession planning to meet its priorities, and other actions to improve the current workforce planning arrangements. However, progress with these actions was impacted by the Covid-19 pandemic.</p> <p>Three service areas have now finalised workforce plans and the development of the remaining two services plans is nearing completion. The development of these workforce plans has been aligned with the relevant service plans and once all are completed they will be collated on a council wide basis, and aligned with the Our People and Workforce Strategy, to determine any new workforce roles, practices and modernisation of the workforce.</p> |

| Recommendation | Council response and progress to date |
|--|--|
| <p>4. A strategic asset management plan, is to be developed, aligned to the financial and strategic service delivery plans.</p> | <p>In progress</p> <p>The Council approved that asset management plans should be developed for each relevant class of asset. Management has advised that work is underway at a strategic and service level to develop a Strategic Asset Management Plan to guide the council through the recovery phase and support the ambition to build back better. This is expected to be approved during 2022/23.</p> |
| <p>5. A standardised business case template should be developed and completed for all capital projects including detailed options appraisal, whole life costing, and consideration of funding implications.</p> | <p>Complete</p> <p>As reported in our 2020/21 Annual Audit Report, the council developed a Business Case Template and related guidance. This will be completed for all significant capital projects going forward and will ensure that all proposals are considered on a comparative basis.</p> |
| <p>6. The Dundee Partnership needs to set out how it will measure the impact of its action plan to reduce inequality and poverty.</p> | <p>Complete</p> <p>The Dundee Partnership devised an outcomes framework as part of the development of the latest iteration of the Fairness and Child Poverty Action Plan which was approved in June 2021. The Partnership also approved changes to the performance reporting arrangements to ensure performance against the City Plan objectives is reported to it on a 6-monthly basis and there is a clear focus on the impact of the measures taken. This also allows the Partnership to take corrective action where desired outcomes are not being achieved.</p> |
| <p>7. Communication to citizens on the rationale for policy decisions should be reviewed.</p> | <p>Complete</p> <p>The Dundee Partnership approved a participation and engagement framework for use when undertaking consultation and engagement with citizens.</p> <p>The council has also consolidated the learning from Dundee Decides by embedding participatory budgeting into mainstream budgets from 2021/22.</p> |
| <p>8. Prioritisation of improvement plans should be considered to focus on actions that will deliver the greatest impact for service users.</p> | <p>Complete</p> <p>The new Performance Management Framework should ensure that improvement plans focus on actions that will deliver the greatest impact for service users. Regular reporting will also enable the Leadership Team and members to monitor performance closely and take action to increase the pace of change in priority areas.</p> |

Source: Dundee City Council BVAR Action Plan – Progress Report to Policy and Resources Committee (June 2022)

The council has arrangements in place to meet its responsibilities under the Equality Act 2010. There is also evidence that the Best Value principle of equality and fairness is embedded in the activity of the organisation.

164. As part of our 2021/22 audit we reviewed the council's arrangements for ensuring that they meet their responsibilities under the Equality Act 2010 (including the Scottish Specific Duties introduced in May 2012) and the additional duty placed on the council from April 2018, when Part 1 of the Equality Act 2010 came into force in Scotland, which is the Fairer Scotland Duty. This Duty places a legal responsibility on particular public bodies in Scotland to actively consider how they can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions.

165. As part of our work we also considered the extent to which the best value principle of equality is embedded within the organisation, including the evidence that arrangements are in place to support equal access to services and information.

166. The Equality Act 2010 requires public bodies to consider all individuals when carrying out their day-to-day work: in shaping policy, in delivering services and in relation to their own employees. The public sector equality duty, also known as the general equality duty, covers the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. This duty requires public bodies to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act
- advance equality of opportunity among all people
- foster good relations between different people when carrying out their activities.

167. The Scottish Specific Duties (introduced in May 2012) requires listed authorities to carry out the following activities:

- report progress on mainstreaming the equality duty,
- publish equality outcomes and report progress,
- assess and review policies and practices,
- gather and use employment information,
- publish gender pay gap information,
- publish statements on equal pay,
- consider award criteria and conditions in public procurement, and
- publish information in a manner that is accessible.

168. Dundee City Council are a listed authority for both the Equality Act and the Specific Duties in Scotland. Consequently, they are required to report progress on mainstreaming the public sector equality duty and to report progress on their published equality outcomes.

169. Dundee City Council's [Equality Mainstreaming Report 2021](#) was published on the council's website in April 2021 and contained outcome data in delivering the equality outcomes set for 2017-2021.

170. The council's [Equality Outcomes 2021-2025](#) report was published in November 2021. Our review of the report established that the council has completed a detailed review of equality, developing new outcomes and actions to reflect the lived experience of people in Dundee from protected groups, the impact of Covid-19 and the evolving national policy landscape.

171. The report set out the 7 equality outcomes for the period 2021-2025, the associated activities to deliver these, and the lead officer and their service area. Progress against the outcomes will be co-ordinated by the Corporate Equality and Diversity Steering Group and monitored via the corporate performance reporting system. Reports on the agreed actions and any new and associated guidance will be reviewed by the Council Management team and the next two-year update will be presented to committee in May 2023.

172. The BVAR and our annual audit work identified a range of activities progressed by the council and its partners that demonstrate that equality and fairness are embedded within the organisation. These include:

- completion of equality impact assessments for all new and developing policies
- preparation of a British Sign Language (BSL) Plan to enable BSL users (those individuals whose first or preferred language is BSL) to be fully involved in daily and public life as active, healthy citizens able to make informed choices about all aspects of life
- becoming the first Living Wage City in the UK
- above inflation increases in the value of school uniform grants
- efforts to reduce the level of fuel poverty across the city
- delivery of welfare rights support in GP surgeries
- providing an extensive programme of school holiday activity and meals for children and families.

The council has rolled out a new Integrated Impact Assessment model and training to improve the quality of the assessments and increase the involvement of equality groups, to support better outcomes for citizens

173. The council acknowledges that all of its decisions impact on the wellbeing of the people of Dundee and the places they live. Therefore, the completion of robust and reliable equality impact assessments is key to support the Council's decision-making process and lead to better outcomes for citizens.

174. During 2021/22 the Community Planning and Equality and Fairness Team led a project to re-design, develop and improve the council's Integrated Impact Assessment (IIA) Guidance, systems and processes. This reflected an understanding that doing these assessments well will help the council make better decisions, improve the transparency and accountability of decision-making, and reduce the risk of making bad decisions. The outcomes of the IIA review project included:

- **Development of a new IIA pre-screening tool:** This is used to determine whether an IIA is needed or not and enables officers to undertake this assessment at an early stage in the process (i.e. prior to any new policies or procedures being developed). Where it is determined that no IIA is required then the relevant Executive Director or Head of Service has to sign-off to confirm they are in agreement with the assessment.
- **A re-developed IIA tool:** The revised IIA model strengthens the equality and fairness questions and requires officers to think about the impact of a decision on all protected groups, and what mitigating actions they can take to address potential issues identified. The new template also supports an improved output report to document these equality impact considerations.
- **Revised IIA guidance:** This provides more detailed information on what to consider as part of carrying out an IIA and further guidance on completing IIAs, including the key questions that officers need to consider when completing an assessment.

Good practice – Delivery of equality impact assessment training

Alongside the roll-out of the new Integrated Impact Assessment model the council developed quality impact assessment training. This was designed to ensure that officers know when and why an IIA should be carried out and understand the revised IIA process, including the use of the new IIA pre-screening tool and how to complete the de-developed IIA tool. This new IIA Workshop Programme has already been delivered to over 100 council, health and social care partnership, and leisure and culture staff, and will be rolled out to further staff during the course 2022/23.

The council aim to be in the top half of its family group of peers for 55 per cent of LGBF indicators, in 2020/21 48 per cent were in the top half, an improvement on the 44 per cent reported for 2019/20

175. The Council Plan 2017-2022 set a target for the council's performance to be in the top half of its family group for 55 per cent of the LGBF indicators. It also sets a long-term aspiration to be in the top half for all indicators. The LGBF Performance Indicators report on the 2020/21 data was reported to the Policy and Resources Committee in June 2022. This showed that the council's performance was in the top half of its family group for 48 (48 per cent) of the 101 LGBF indicators, [Exhibit 13](#). This represents an improvement on overall performance for the prior year when 44 per cent were in the top half, with City Development services performance showing the greatest performance, from 55 per cent of indicators in the top half in 2019/20 to 73 per cent of indicators in the top half in 2020/21.

Exhibit 13

Service performance against family group for LGBF indicators in 2020/21

| Strategic Service Area | Number of LGBF indicators | Performance in top half of family group | | 2019/20 Comparator (%) |
|---|---------------------------|---|-----------|------------------------|
| | | Number | (%) | |
| Children & Families (includes education and social work indicators) | 32 | 11 | 34 | 35 |
| City Development (includes fair work and enterprise indicators) | 22 | 16 | 73 | 55 |
| Corporate Services (includes finance indicators) | 13 | 6 | 46 | 43 |
| Culture and Leisure (includes health and wellbeing indicators) | 6 | 3 | 50 | 50 |
| Health and Social Care Partnership | 11 | 2 | 18 | 27 |
| Neighbourhood Services (includes community safety indicators) | 17 | 10 | 59 | 56 |
| All LGBF indicators | 101 | 48 | 48 | 44 |

Source: LGBF Performance Indicators 2020/21 report to Policy and Resources Committee (June 2022)

The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the longer-term impact of the pandemic and the current cost of living crisis

176. Overall performance of all Scottish councils has deteriorated over the past 2 years due to the impact on services of the Covid-19 pandemic. We highlighted

in our 2020/21 Annual Audit Report that the challenge faced by the council in tackling underperformance linked to levels of poverty and inequality has been exacerbated by the impact of the current cost of living crisis.

177. At its meeting on 13 June 2022, the Policy and Resources Committee approved a motion that Dundee City Council declare a cost of living emergency, citing the impact on people in the city of rising energy prices, increased national insurance contributions, and below inflation increases in state pension payments for 2022/23.

178. Both the longer-term impact of the pandemic and the cost of living crisis highlight the importance of the council and its partners' role in tackling poverty and inequality across the city, and continuing to support those worst affected by the current economic challenges.

The council has complied with the requirements set out in the Statutory Performance Information direction issued by the Accounts Commission

179. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. 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.

180. The Commission issued a revised [Statutory Performance Information Direction](#) in December 2018, effective for financial years 2019/20, 2020/21 and 2021/22. This outlined two new indicators that require each council to publish a range of information in the following areas for performance comparison and benchmarking purposes:

- **Statutory Performance Indicator 1 (SPI1): Improving local services and local outcomes**

- Performance in improving local public services, provided by both (i) the council itself and (ii) by the council in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

The Commission requires the council to report such information to allow comparison (i) over time and (ii) with other similar bodies. The Commission requires the council to report on information drawn from the Local Government Benchmarking Framework in particular and from other benchmarking activities.

- **Statutory Performance Indicator 2 (SPI2): Demonstrating Best Value**

- The council's assessment of how it is performing against its duty of Best Value, and how it plans to improve against this assessment.
- Audit assessments of its performance against its Best Value duty, and how it has responded to these assessments.

- In particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

181. SPI1: Dundee City Council continue to participate in the Local Government Benchmarking Framework and publish this data, and a range of other performance information, on the [Dundee Performs](#) section of the council website. As reported in the BVAR, this provides an easily accessible means for citizens to see how the council performs. It provides a graphical representation of the direction of travel for each performance indicator, over the last four years and comparative performance against the council's family group of urban peers. The performance information is also presented in an easily accessible format that provides a balanced and comprehensive picture of service performance, including both areas of good and poor performance.

182. SPI2: The BVAR is published on the Dundee Performs section of the council's website along with the agreed BVAR Improvement Plan, and copies of the six-monthly reports on the progress in implementing these actions.

183. The arrangements in place to report on performance are effective in meeting the requirements set out in the SPI direction issued by the Accounts Commission.

The Dundee Partnership continues to work with the third sector and those with lived experience, to address the public health crisis of drug deaths in Dundee

184. The [Best Value Assurance Report](#) reported that the Dundee Partnership has faced a major challenge in tackling the city's drug problems and delivering sustainable solutions that will prevent and reduce drug use across the city.

185. The Dundee Drugs Commission (the Commission) is an independent drugs commission which was established by the Dundee Partnership (including NHS Tayside) in 2018 to tackle the city's drug problems and deliver sustainable solutions that would prevent and reduce drug use across the city. In 2019, the Commission published its findings from an independent enquiry in its [Responding to Drug Use With Kindness, Compassion and Hope Report](#), which included 16 recommendations split between those that could be delivered immediately (within 12 months), during a transitional period (within 3 years) and longer-term (within 5 years).

186. An 'Action Plan for Change' was developed by the Dundee Partnership as a response to the Dundee Drugs Commission's report with the Alcohol and Drugs Partnership Implementation Group responsible for monitoring the implementation and impact of the actions within the plan.

187. In March 2022 the Commission published a follow-up report, [Time for Kindness, Compassion and Hope: The Need for Action Two Years On](#). This concluded that extensive and genuine improvement efforts had been made by all partners to address drug deaths in the city, but these have not gone far enough, deep enough or fast enough. The Commission also made 12 further recommendations for improvement and Chair of the Dundee Drugs

Commission, Dr Robert Peat, stated: “We remain of the view that with determination, clear communications, and a willingness to work as a true partnership, particularly with the third sector and those with lived and living experience and an acceptance that support is required, then Dundee can effectively address the Public Health crisis of drug deaths.”

188. The Dundee Partnership is currently considering the 12 further recommendations made by the Commission in the context of a range of ongoing improvement activity set out within the ADP’s original Action Plan for Change, with the intention to develop a single, prioritised Strategic and Commissioning Plan for Drugs and Alcohol.

189. In July 2022 National Records for Scotland published the annual statistics for [Drug-related deaths in Scotland in 2021](#). These showed that 1,330 deaths had been attributed to drug use in 2021 (down by 9 from 1,339 in 2020). This was the first year since 2013 where drug misuse deaths have not increased but was still the second highest annual total on record. This level of drug deaths was also more than double that of any other area of the United Kingdom. National Records for Scotland’s analysis also highlighted that there were more than five times as many deaths in Scotland in 2021 compared with 1996 but that the average age of drug misuse deaths has increased from 32 to 44 over the last 21 years.

190. At a local level the figures for Dundee showed there were 52 drug related deaths during 2021. This was a slight reduction from 57 in 2020, and a high of 72 deaths in 2019 which followed seven consecutive years where the number of drug deaths had increased. This may suggest that the action being taken by the Dundee Partnership is starting to have an impact on drug use in the city. However, partners know that delivering sustainable improvements in the city’s drug problems, against the backdrop of the cost of living crisis, continues to present a significant challenge.

The Dundee Partnership is committed to progressing actions on delivering improved outcomes for citizens impacted by poor mental health or drug use with this being included as a top priority in the new City Plan 2022-2032

191. As reported in the [Best Value Assurance Report \(September 2020\)](#), the Independent Inquiry into Mental Health Services in Tayside published its final report, titled [Trust and Respect](#), in February 2020.

192. In response to the findings in the report, Dundee City Council and its partners developed a Living Life Well strategy for mental health and wellbeing in Tayside. It set out collective ambitions across Tayside for mental health services.

193. In July 2021 a [Progress Report](#) by the Independent Inquiry Review Team was published. This reported on some positive progress and the commitment and dedication of staff, partner organisations and others seeking to make a difference for patients and the wider community in Tayside. Areas where further progress is needed were also reported.

194. In October 2021, the Minister for Mental Wellbeing and Social Care appointed an independent group to provide oversight and assurance on the implementation of the Trust and Respect recommendations. The Oversight and Assurance Group (OAG) is working with the Tayside Executive Partnership (TEP) (consisting of the Chief Executives of NHS Tayside and the three local councils, and the Divisional Commander of Police Scotland) to support progress and ensure that the recommendations from the independent inquiry are fully implemented.

195. The OAG is a time-limited group established for a 12-month period. It is providing quarterly reports to the Minister for Mental Wellbeing and Social Care. In February 2022 it published its first [Quarterly Report](#) covering the period from November 2021 to January 2022. The update highlighted some disparity between the assessments of the OAG and the TEP of the progress made in addressing the recommendations of the Trust and Respect report. However, it also noted that the OAG were encouraged by the openness shown by partners and by the time they have devoted to how they can better work together to deliver the changes required. It also noted that it is assured that colleagues in Tayside are committed to working with it to better understand each other's perspectives with a shared interest in improving mental health services and outcomes for communities in Tayside.

196. Since the first quarterly report was published, the TEP has had the opportunity to present further evidence to the Oversight Group as part of the next phase of the group's review to gain further understanding of the work which has been done by the partners across Tayside. The OAG has also met with community and inpatient mental health teams across Tayside, as well as visiting third sector organisations and meeting people with lived experience.

197. The Dundee Partnership is committed to progressing actions on delivering improved outcomes for citizens impacted by poor mental health or drug use with this being included as a top priority in the new City Plan 2022-2032.

National performance audit reports

198. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 a number of reports were published which may be of interest to the council. These are detailed in [Appendix 3](#).

199. National reports and other Audit Scotland outputs are reviewed by officers and included in committee papers for councillors' consideration where appropriate. This includes the two annual Local Government Overview Reports and the National Fraud Initiative report which are considered by the Scrutiny Committee each year.

Appendix 1. Action plan 2021/22

2021/22 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|---|--|--|
| <p>1. Accounting treatment of unspent grant funding</p> <p>Our testing of year-end payables balances identified unspent grant funding incorrectly recognised as a creditor as there was no potential for the council to have to repay this money.</p> <p>There is a risk that income is understated in the annual accounts.</p> | <p>As part of the year-end closedown procedures, management should review the conditions attached to all unspent grant funding to ensure they are accounted for correctly.</p> <p>Point 2 in Exhibit 3</p> | <p>Updated guidance and additional reviews will be provided for as part of the 2022/23 accounts process.</p> <p>Responsible officer: Accounting Strategy Manager</p> <p>Agreed date: 31 March 2023</p> |
| <p>2. Assets under construction</p> <p>Our non-current assets testing identified an asset classified as an asset under construction that had become an operational asset during 2021/22.</p> <p>There is a risk that non-current assets are wrongly classified and valued incorrectly in the annual accounts.</p> | <p>As part of the year-end closedown procedures, management should review all non-assets classified as assets under construction to ensure that these do not include operational assets.</p> <p>Point 3 in Exhibit 3</p> | <p>Assets under construction will be reviewed as part of the 2022/23 accounts.</p> <p>Responsible officer: Accounting Strategy Manager</p> <p>Agreed date: 31 March 2023</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|---|
| <p>3. Land and property valuations</p> <p>The degree of subjectivity in the land and buildings valuations represents an increased risk of material misstatement in the financial statements.</p> <p>There is a risk that material movements in land and property valuations are not identified by the council's rolling revaluation programme.</p> | <p>Management should continue to monitor land and property asset valuation movements to identify whether revisions are required to the planned rolling revaluation programme, to undertake additional revaluations of any asset categories.</p> <p>Paragraphs 33. to 36.</p> | <p>A structured review timetable will be agreed for 2022/23 to enable a timely view on asset valuations to be reached.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: 31 March 2023</p> |
| <p>4. Delivery of capital programme</p> <p>The council reported slippage of 51 per cent against its 2021/22 Capital Plan.</p> <p>This level of slippage impacts directly on the council's ability to deliver against its strategic objectives.</p> | <p>Management should review the plans for all capital projects to ensure they have been updated to reflect to full impact of any delays caused by the Covid-19 pandemic or changes in the construction market. A realistic timetable for the actual completion of each project should then be shared with elected members.</p> <p>Paragraphs 58. to 60.</p> | <p>The Capital Governance Group will review and monitor progress against the capital plan and report progress to elected members on all major capital projects.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: 31 March 2023</p> |
| <p>5. Internal audit recommendations</p> <p>As in 2020/21, we again noted instances where progress has been slow in implementing internal audit's recommendations for improvement.</p> <p>Risk: Action is not being taken to address weaknesses identified by internal audit.</p> | <p>Management should ensure that the outstanding actions identified through internal audit reports are completed as a matter of priority or revised dates are reported to elected members.</p> <p>Paragraphs 140. and 141.</p> | <p>The Risk and Assurance Board is now monitoring actions on a regular basis.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Agreed date: 31 December 2022</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|--|
| <p>6. Provision of internal audit function</p> <p>The council has agreed a partnership arrangement with Angus Council to share its Chief Internal Auditor on a part-time basis for the next 12 months. KPMG's contract to provide internal audit services to the council as part of the co-sourcing arrangement ended on 30 June 2022.</p> <p>There is a risk that internal audit will have insufficient resources to complete its 2022/23 workplan.</p> | <p>Management should ensure that the internal audit function continues to operate in accordance with the Public Sector Internal Audit Standards and has sufficient resources to complete its 2022/23 workplan.</p> <p>Paragraphs 142. to 145.</p> | <p>The interim arrangements will be kept under review to ensure the workplan is delivered.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: 31 March 2023</p> |

Follow-up of prior year recommendations

| Issue/risk | Recommendation | Update on progress and Revised management action / timing |
|--|--|---|
| <p>PY-1. Remuneration report - Trade Union (Facility Time Publication Requirements) Regulations 2017 disclosures</p> <p>The regulations require a range of information in relation to the time and costs of employee involvement in trade union activity to be published by the council each year. Guidance from the Cabinet Office indicates that this should be disclosed in the remuneration report. These disclosures were not included in the unaudited 2020/21 annual accounts.</p> <p>Risk: The time and costs associated with staff involvement in trade union activity is not reported.</p> | <p>Management should put arrangements in place to ensure the required information is collated and disclosed in the remuneration report in the 2021/22 annual accounts.</p> | <p>Not yet fully implemented</p> <p>Required Trade Union disclosures for 2020/21 activity were included in the remuneration report in the 2021/22 annual accounts, but corresponding data for 2021/22 is not yet available.</p> <p>Arrangements will be made to include current year and prior year data in the remuneration report in the 2022/23 annual accounts.</p> <p>Responsible officer: Head of Corporate Finance / Head of People</p> <p>Agreed date: June 2023</p> |

| Issue/risk | Recommendation | Update on progress and Revised management action / timing |
|---|---|--|
| <p>PY-2. Calculation of estimates</p> <p>The basis for estimating the provision required for the impairment of debts for irrecoverable rents (i.e. HRA bad debts provision), and the accrual required for untaken annual leave at 31 March 2021 could be improved by using more relevant data.</p> <p>Risk: The estimates included in the annual accounts do not accurately reflect the actual liabilities.</p> | <p>The data used in the calculations for the 2021/22 annual accounts is updated to ensure the figures represent the most accurate estimates possible based on the data available.</p> | <p>Not yet implemented</p> <p>This will be reviewed as part of next year's account preparation process.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: June 2023</p> |
| <p>PY-3. Non-current asset records</p> <p>During the audit we identified a number of housekeeping issues with the non-current asset records maintained by the council.</p> <p>Risk: The asset records do not accurately reflect the council's actual asset base.</p> | <p>Management should review the asset records maintained to ensure they more accurately reflect the council's actual asset base.</p> | <p>Not yet implemented</p> <p>This will be reviewed as part of next year's account preparation process.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: June 2022</p> |
| <p>PY-4. Long-term financial planning</p> <p>The council's long-term financial strategy has not yet been updated to reflect the impact of the Covid19 pandemic.</p> <p>Risk: The council does not have accurate financial information to support long-term budget and service decisions.</p> | <p>Management should review the long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</p> | <p>Complete</p> <p>The council's medium-term financial strategy was taken to the Policy and Resources Committee in September 2022.</p> |

| Issue/risk | Recommendation | Update on progress and Revised management action / timing |
|--|--|---|
| <p>PY-5. Internal audit recommendations</p> <p>The follow-up reviews undertaken by internal audit during 2020/21 identified a number of areas where progress has been slow in implementing the agreed recommendations from the original report.</p> <p>Risk: Action is not being taken to address weaknesses reported by internal audit.</p> | <p>Management should ensure that the outstanding actions identified through internal audit's follow-up reviews of previous internal audit reports are completed as a matter of priority.</p> | <p>Ongoing</p> <p>As in 2020/21, we again noted instances where progress has been slow in implementing internal audit's recommendations for improvement.</p> <p>See action plan point 6</p> |

2021/22 recommendations for the section 106 Charitable Trusts financial statements

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|---|
| <p>C1. Dundee City Council Charitable Trusts – Hospital Fund grant approval</p> <p>A £25,000 payment from the Hospital Fund made in 2021/22 has not received the required approval from the Policy and Resources Committee.</p> <p>Risk: Payments are made from the fund that do not reflect the wishes of trustees.</p> | <p>All payments from the Section 106 charities administered by the council should receive appropriate authorisation prior to the payments being made.</p> <p>Point 1 in Exhibit 5</p> | <p>Arrangements will be made for the Council to approve payments.</p> <p>Responsible officer: Head of Corporate Finance</p> <p>Agreed date: 31 October 2022</p> |

Follow-up of prior year recommendations for the section 106 Charitable Trusts financial statements

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|--|
| <p>PY-C1. Future of Dundee Trust</p> <p>During 2019/20 the funds held in the Dundee Trust were donated to the Lord Provost of Dundee Charity Fund leaving it with a nil balance. The trust also holds no assets so is effectively dormant.</p> <p>Risk: The trust is not being used for the purposes intended.</p> | <p>The trustees of the Dundee Trust should consider the future of the trust and make a decision as to how this will be used going forward. This would include consideration of whether steps should now be taken, in coordination with the Office of the Scottish Charity Regulator, to wind it up.</p> | <p>Not yet implemented</p> <p>This will be reviewed as part of next year's account preparation process.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Agreed date: March 2023</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</p> <p>The council's provisional 3-year budget considered in February 2022 notes a cumulative projected funding gap of £20.8 million by 2024/25, to be met by savings.</p> <p>As set out in the council's long-term financial strategy, identifying savings and efficiencies will be co-ordinated through the Changing for the Future transformational programme (C2022).</p> <p>The council's longer-term financial plans will require to be updated to reflect the post Covid-19 situation.</p> <p>There is a risk that in the longer term, the council is unable to deliver the efficiencies required to balance its budget whilst meeting its strategic priorities.</p> | <ul style="list-style-type: none"> Continue to monitor the financial position throughout the year. Consider the long-term affordability of budget decisions, including the financial impact of the Covid-19 pandemic and any planned use of reserves. Review of the long-term strategy, including the assumptions used, to inform our ongoing assessment of the council's longer-term financial sustainability. | <p>Future financial plans are challenging with the council's medium-term financial strategy projecting a cumulative funding gap of £44.7 million for the period 2023-2027.</p> <p>Paragraphs 91. to 92.</p> <p>The council's future revenue and capital plans could be impacted by inflationary pressures, including the impact of the 2022/23 pay award for teachers and further increases in construction costs.</p> <p>Paragraph 103.</p> |
| <p>2. COVID 19 service pressures</p> <p>The Covid-19 pandemic placed significant pressure on the provision of council services.</p> <p>There is risk that the ongoing pressures caused by the pandemic impact on the council's performance and its</p> | <ul style="list-style-type: none"> Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19. Consider the long-term affordability of budget decisions, including the financial impact of Covid-19 pandemic and any planned use of reserves. | <p>The council aim to be in the top half of its family group of peers for 55 per cent of LGBF indicators, in 2020/21 48 per cent were in the top half, an improvement on the 44 per cent reported for 2019/20.</p> <p>Paragraph 175.</p> <p>The challenge faced by the council in tackling underperformance linked to</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>ability to meet its strategic objectives.</p> | | <p>levels of poverty and inequality has been exacerbated by the longer-term impact of the pandemic and the current cost of living crisis.</p> <p>Paragraphs 176. to 178.</p> |
| <p>3. Capital slippage</p> <p>Gross capital expenditure for 2021/22 is projected to be £64 million. This is a £53 million underspend against the original capital budget of £117 million. The majority of this slippage is due to the impact of Covid-19.</p> <p>While recognising the impact of Covid-19 on the council's ability to progress capital projects, there is a risk that projects are not completed timeously which could impact on service delivery.</p> | <ul style="list-style-type: none"> • Ongoing monitoring of the capital budget, capital plans and monitoring reports. | <p>The council reported slippage of 51 per cent against its 2021/22 Capital Plan. This level of slippage was partly due to delays linked to Covid-19 but is a cause for concern as it may impact on the council's ability to deliver against some of its strategic objectives.</p> <p>Paragraphs 58. to 60.</p> |

Appendix 3. National performance reports

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

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

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

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

[Drug and alcohol: An update](#)

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

Dundee City Council

2021/22 Annual Audit Report

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