

North Lanarkshire Council

2025/26 Annual Audit Report



Prepared for North Lanarkshire Council and the Controller of Audit
September 2026

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Summary of audit opinions and conclusions

Audit of the annual accounts

- 1 All audit opinions stated that the annual accounts were free from material misstatement.
- 2 One significant finding relating to creditors is reported in [Exhibit 2](#).
- 3 Two adjustments over our reporting threshold were required to correct the financial statements, as a result of audit work. There were three uncorrected misstatements which would increase net expenditure by £6.5 million and decrease net assets in the balance sheet by the same amount.

Wider scope audit

- 4 North Lanarkshire Council has effective and appropriate arrangements in place for Financial Management; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes. While arrangements for financial sustainability are well established through the council's medium-term financial plan, the council continues to face significant financial challenges and must identify sustainable solutions to address its projected budget gap.

Best Value audit

- 5 North Lanarkshire Council has effective and appropriate arrangements in place for securing Best Value.
 - 6 The council has effective and appropriate arrangements in place for publishing statutory performance, except for improving its public performance reporting to provide its citizens and communities with a clear summary of performance.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2025/26 audit of North Lanarkshire Council's annual accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to North Lanarkshire Council, hereafter referred to as 'the council' and the Controller of Audit, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. John Boyd, of Audit Scotland, has been appointed as external auditor of the council for the period from 2022/23 until 2026/27. As reported in the Annual Audit Plan, John Boyd as engagement lead and the audit team are independent of the council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from the council, including no provision of non-audit services.

Acknowledgements

4. We would like to thank the council and its staff, particularly those involved in preparation of the annual accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope, responsibilities, and fee

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual accounts, namely the Management Commentary and Annual Governance Statement.
- An opinion on the audited part of the Remuneration Report.
- Conclusions on the council's arrangements in relation to the wider scope areas: Financial Management; Financial Sustainability; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes.
- Reporting on the council's arrangements for securing Best Value.
- Providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and Whole of Government Accounts return.
- A review of the council's arrangements for preparing and publishing statutory performance information.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the council and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Local Government (Scotland) Act 1973. These include providing an independent opinion on the financial statements and other information

reported within the annual accounts, and concluding on the council's arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the council from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

The council's responsibilities

10. The council has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of annual accounts, comprising financial statements for the council and its group that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

Audit Fee

11. The audit fee for the 2025/26 audit was reported in the Annual Audit Plan and was set at £680,310. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

National performance audit reporting

12. The Auditor General for Scotland and the Accounts Commission regularly publish performance audit reports. These cover a range of matters, many of which may be of interest to the council and the Audit and Scrutiny Panel. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual accounts

Main judgements

All audit opinions stated that the annual accounts were free from material misstatement.

One significant finding relating to creditors is reported in [Exhibit 2](#).

Two adjustments over our reporting threshold were required to correct the financial statements, as a result of audit work. There were three uncorrected misstatements which would increase net expenditure by £6.5 million and decrease net assets in the balance sheet by the same amount.

Audit opinions on the annual accounts

13. The council and its group's annual accounts were approved by the Audit and Scrutiny Panel on 24 September 2026 and certified by the appointed auditor on 24 September 2026. The Independent Auditor's Report is included in the council's annual accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

14. The unaudited annual accounts and working papers were received on 30 June 2026 in accordance with the agreed audit timetable.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for the audit of the council and its group were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2025/26 Materiality levels for the council and its group

Materiality	The council	Group
Materiality – set at 2% of gross expenditure adjusted for contributions to the North Lanarkshire Integration Joint Board.	£30.50 million	£30.55 million
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required.	£22.80 million	£22.90 million
Reporting threshold – set at 5% of materiality.	£1.50 million	£1.50 million

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged with governance, which for the council is the Audit and Scrutiny Panel.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.
- Significant events or transactions that occurred during the year.

21. The significant findings and key audit matters to report are outlined in [Exhibit 2](#).

Exhibit 2
Significant findings and key audit matters

Significant findings and key audit matters	Outcome
<p>Creditor misstatements</p> <p>The council recognises creditor balances for expenditure incurred but not yet paid as at 31 March 2026. Audit work carried out over these balances during 2025/26 identified several errors.</p> <p>£20.3 million was held in a creditors suspense account. Of this amount, the council provided sufficient evidence to support £2.6 million.</p> <p>£13.4 million was incorrectly classified as short-term creditors, and an audit adjustment was processed to reclassify this balance as a long-term creditor (Exhibit 4).</p> <p>No evidence was provided to support the remaining £4.3 million, which has been included in Appendix 2 as an uncorrected misstatement.</p> <p>A further £1.8 million was identified within other creditors account codes in respect of historic creditor balances held dating back to 2001. Based on the age of these balances and the absence of supporting evidence that a liability continues to exist, this balance should be derecognised. This has also been included in Appendix 2 as an uncorrected misstatement.</p>	<p>Several errors were identified through audit testing of creditors balances in 2025/26. The council corrected the classification error of £13.4 million. Whilst these errors do not result in a material misstatement of the 2025/26 financial statements, they highlight weaknesses in the council's processes for reviewing, evidencing and classifying creditor balances. Further work is required to validate historic balances and ensure liabilities are appropriately recorded.</p> <div><p>Recommendation 1: Creditor Balances</p><p>The council should carry out a review of historic and high value creditor balances held in order to confirm that: balances are supported by appropriate evidence; balances are classified correctly; and historic balances that no longer present a valid obligation are identified and derecognised where appropriate.</p></div>

Source: Audit Scotland

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the council’s accounting practices, including

accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by the council was assessed as part of the audit. These were considered to be appropriate to the circumstances of the council, and there were no significant departures from the accounting policies set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

Accounting estimates

24. Accounting estimates are used in a number of areas in the council's financial statements, including the valuation of land and buildings assets and the valuation of the pension balance. Audit work considered the process management of the council has in place around making accounting estimates, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- There were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable.
- There was no evidence of management bias in making the accounting estimates.

25. Details of the audit work performed and the outcome of the work on accounting estimates that gave rise to significant risks of material misstatement are outlined in [Exhibit 5, \(page 16\)](#).

Disclosures in the financial statements

26. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with detailed disclosures around areas of greater sensitivity, such as financial instruments and valuation of the pension liability.

Group audit

27. The council is part of a group and prepares group financial statements. The group is made up of 11 components, including the council which is the parent of the group. As outlined in the Annual Audit Plan, audit work was required on a number of the group's components for the purposes of the group audit, and this work was performed by a combination of the audit team and the components' audit teams. Group audit instructions were issued to component auditors, where required, to outline the expectations and requirements in performing the audit work for the purposes of the group audit. The audit work performed on the group's components is summarised in [Exhibit 3 \(page 11\)](#).

Exhibit 3**Summary of audit work on the group's components**

Group component	Auditor and audit work required	Summary of audit work performed
North Lanarkshire Council	Audit Scotland Fully scope audit of the council's annual accounts.	The outcome of audit work performed is reported within the Annual Audit Report, with details of significant findings and key audit matters reported in Exhibit 2 .
North Lanarkshire Properties LLP	Chiene + Tait LLP Risk assessment questionnaire completed by component auditor and review and evaluation of component auditor's work on investment property valuations.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment and performed additional testing of investment property valuations – no significant issues identified.
Fusion Assets Limited	Chiene + Tait LLP Analytical procedures at the group level.	Consolidated on a line-by-line basis. Audit team confirmed correct accounting treatment, no significant issues were identified.
North Lanarkshire Integration Joint Board	Audit Scotland Risk assessment questionnaire and analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Amey Public Services LLP	Forvis Mazars LLP Analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Mears Scotland LLP	Ernst & Young LLP Analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Strathclyde Partnership for Transport	Audit Scotland Risk assessment questionnaire and analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.

Group component	Auditor and audit work required	Summary of audit work performed
Strathclyde Concessionary Travel Joint Board	Audit Scotland Risk assessment questionnaire and analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Lanarkshire Valuation Joint Board	Audit Scotland Analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Routes to Work Limited	Anderson Anderson & Brown Audit LLP Analytical procedures at the group level.	Accounted for on an equity basis. Audit team confirmed treatment and no significant issues were identified.
Dunbartonshire Educational Trust Scheme 1962	Forvis Mazars LLP No audit work required – not consolidated on grounds of materiality.	Not applicable. We are satisfied that the Component is wholly immaterial from the group accounts.

Source: Audit Scotland

28. ISA (UK) 600 requires auditors to report the following matters if these are identified or encountered during an audit:

- any instances where review of a component auditor's work gave rise to issues and how this was resolved.
- any limitations on the group audit.
- any frauds or suspected frauds involving group or component management.

29. Our review of North Lanarkshire Properties LLP component auditor's work identified that insufficient audit evidence had been obtained in relation to investment property valuations. Given the significance of this estimate to the group financial statements, the audit team performed additional audit procedures, including sample testing of investment property valuations. Based on the results of this work, sufficient appropriate audit evidence was obtained and no material misstatements were identified.

Other matters to report

30. Auditing standards require auditors to report a number of other matters if they are identified or encountered during an audit.

31. ISA (UK) 240 requires auditors to report any suspected or identified fraud. The Annual Governance Statement reports details of one fraud investigation undertaken during 2025/26 related to potentially fraudulent applications for business grants by external parties. The investigation report was considered by the Audit and Scrutiny Panel in August 2026, and the findings of the investigation have been reported to Police Scotland. The sums involved did not impact our audit approach.

32. ISA (UK) 550 requires auditors to report any significant matters in connection with related parties identified during the audit. We identified that the council's related party disclosure note did not include transactions with other Scottish public sector bodies, which are considered related parties to the council as they are subject to common control by the Scottish Government. Management agreed to review related party relationships and transactions with other Scottish public sector bodies and amend the disclosures to include any material transactions identified. Following this review, the council updated the related party disclosure note to disclose income transactions of £67.4 million, and expenditure transactions of £8.3 million in relation to transactions with Scottish public sector bodies. A further £1.8 million of expenditure was disclosed for organisations where council members are represented.

33. ISA (UK) 265 requires auditors to report any significant deficiencies in internal control identified during the audit. Audit procedures identified that the council's secondary review control over council tax and non-domestic rates discounts, reliefs and exemptions was suspended from August 2025 following system issues arising from a CIVICA system upgrade. As a result, the control was not operating for a significant part of the financial year, increasing the risk that discounts, reliefs and exemptions could be applied to accounts without appropriate review and approval. Additional audit testing was undertaken over the eligibility and application of council tax and non-domestic rates discounts, reliefs and exemptions. No issues were identified from this testing and no impact on the 2025/26 financial statements was noted. Second officer review checks resumed in July 2026.

Significant matters discussed with management

34. All significant matters identified during the audit and discussed with the council's management have been reported in the Annual Audit Report.

Audit adjustments

35. Audit adjustments were required to the financial statements to correct misstatements that were identified from the audit. Details of all audit adjustments greater than the reporting threshold of £1.5 million are outlined in [Exhibit 4, \(page 14\)](#).

Exhibit 4

Audit adjustments

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
		Dr	Cr	Dr	Cr
Audit adjustments to financial statements		£000	£000	£000	£000
1. An audit adjustment was required for housing developer contributions recognised as a current liability instead of appropriately split between short- and long-term.					
	Short-term Liabilities			13,447	
	Long-term Liabilities				13,447
2. An audit adjustment was required to correct the net assets consolidated for Mears Scotland LLP on an equity basis within the group accounts.					
	Investments in Associates and Joint Ventures			3,201	
	Group Reserves				3,201
Net impact on financial statements				16,648	16,648
Audit adjustments in disclosures					
1. Within the Non-Domestic Rates Income Statement, an audit adjustment of £2.956 million was required to the disclosure of 'Adjustments to previous years NNDR', decreasing the overall NDR contributions recognised.					
2. An update was required to the Related Parties note to disclose income transactions of £67.364 million, and expenditure transactions of £8.288 million in relation to transactions with Scottish public sector bodies. A further £1.817 million of expenditure was disclosed for organisations where council members are represented.					

Source: Audit Scotland

36. A further six adjustments below the reporting threshold were made during the course of the audit. The cumulative impact of these for the council only accounts was to increase net expenditure in the Comprehensive Income and Expenditure Statement by £1.065 million and decrease net assets on the Balance Sheet by the same amount. For the group accounts, the impact was to increase net expenditure in the Comprehensive Income and Expenditure Statement by £0.399 million and decrease net assets on the Balance Sheet by the same amount.

37. Audit work on the draft Annual Governance Statement identified that it did not fully address the additional reporting requirements introduced through the May 2025 Addendum to the Delivering Good Governance in Local Government: Framework (Scotland) 2016. Following discussions with management, the Annual Governance Statement was updated to incorporate the required disclosures and enhance the Executive Summary.

38. In addition to the corrected misstatements outlined in [Exhibit 4](#) there were other misstatements identified greater than the reporting threshold. The value, nature, and circumstances of the uncorrected misstatements were considered, individually and in aggregate, by the audit team, and it was concluded these were not material to the financial statements. As a result, these did not have any impact on the audit opinions given in the Independent Auditor's Report.

39. It is the auditor's responsibility to request that all misstatements greater than the reporting threshold are corrected, even if they are not material. Management of the council have not processed any audit adjustments to correct these misstatements. However, the final decision on whether an audit adjustment is processed to correct a misstatement rests with the Audit and Scrutiny Panel as those charged with governance.

40. Details of the uncorrected misstatements can be seen in [Appendix 2](#).

Significant risks of material misstatement identified in the Annual Audit Plan

41. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 5, \(page 16\)](#).

Exhibit 5**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals entries, focusing on those that are assessed as higher risk. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. Additional disclosures were included within the financial statements (see paragraph 32). Testing confirmed that identified related party transactions were undertaken in the ordinary course of business, with no indicators of fraud. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>Valuation of property, plant and equipment</p> <p>The council held £3,055 million of property, plant, and equipment (PPE) at 31 March 2025, of which £2,550 million was land and building assets, including £1,241 million of council dwellings.</p> <p>The council is required to value land and building assets at existing use value where an active market exists for these assets (with a social housing adjustment factor for council dwellings). Where there is no active market, these assets are valued on a depreciated cost replacement (DRC) basis. There is a significant degree of subjectivity in these valuations which are based on specialist assumptions, and changes in the assumptions can result in material changes to valuations.</p> <p>For 2025/26, CIPFA/LASAAC has updated the Code of Practice to reflect HM Treasury's reforms to public-sector asset valuations. Under the revised approach, local authorities will now move to quinquennial (five-yearly) valuations,</p>	<p>For assets subject to revaluation in year, the audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls over the valuation process. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. • Obtain an understanding of management's involvement in the valuation process to assess if appropriate oversight has occurred. • Review the appropriateness of the key data and assumptions used in the 2025/26 valuation process, and challenge these where required. <p>For assets where indexation is applied in year, the audit team will:</p> <ul style="list-style-type: none"> • Review the indices applied by management to assets not subject to valuation in 2025/26 and assess if these are reasonable and have been correctly applied. • Review the information provided to the valuer and assess this for completeness and accuracy. • Evaluate the competence, capabilities, and objectivity of the valuer. 	<p>Conclusion: no evidence of fraud caused by management of controls.</p> <p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design and implementation of controls over the valuation process were appropriate. • The information provided to the valuer was accurate and complete. • The valuer had sufficient competence, capability, and objectivity to perform their work. • Management is involved in the valuation process and have an appropriate level of oversight. • The data and assumptions used in the 2025/26 valuation process were appropriate. <p>For assets where indexation was applied:</p> <ul style="list-style-type: none"> • The indices applied by management to assets not subject to valuation in 2025/26 were reasonable and had been correctly applied. • The information provided to the valuer was complete and accurate. • The valuer had sufficient competence, capabilities, and objectivity to perform their work. • The key data and assumptions used in the 2025/26 indexation process were appropriate.

Risk of material misstatement	Planned audit response	Outcome of audit work
<p>usually through a rolling programme of valuations, with annual indexation applied in the intervening years to ensure asset values remain materially accurate. There is an increased risk of material misstatement due to greater reliance on management judgement and estimation, particularly in selecting appropriate indices and determining when additional valuations are necessary in between formal valuations.</p>	<ul style="list-style-type: none"> Review the appropriateness of the key data and assumptions used in the 2025/26 indexation process, and challenge these where required. 	<p>Conclusion: the valuation of PPE is not materially misstated.</p>
<p>Estimation of the pension balance</p> <p>The council is a member of Strathclyde Pension Fund, which is a defined benefit pension scheme. Strathclyde Pension Fund is subject to formal valuation every three years, and this sets out each member's share of the scheme's overall pension balance and contributions for the next three years. The last formal valuation was carried out at 31 March 2023.</p> <p>An estimation of the council's share of the overall pension balance is required in each intervening year between formal valuations, and these are carried out by Hymans Roberston. There is a significant degree of subjectivity in the estimation of the</p>	<p>The audit team will:</p> <ul style="list-style-type: none"> Evaluate the design and implementation of controls over the pension balance estimation process. Review the information provided to the actuary and assess this for completeness and accuracy. Evaluate the competence, capabilities, and objectivity of the actuary. Obtain an understanding of the management's involvement in the estimation process to assess if appropriate oversight has occurred. Review the appropriateness of the key data and assumptions used by management for the estimation of the pension balance, and challenge these where required. Audit Scotland uses PwC as an auditor's expert to inform the planned audit procedures outlined above. Therefore, the 	<p>Audit work performed found:</p> <ul style="list-style-type: none"> The design and implementation of controls over the pension liability estimation process were appropriate. The information provided to the actuary was accurate and complete. The actuary had sufficient competence, capability, and objectivity to perform their work. Management is involved in the estimation process and have an appropriate level of oversight. The data and assumptions used in the estimation process were appropriate. The information provided by PwC was reviewed and this reflected in the planned audit procedures, where required. This included consideration of the asset ceiling adjustment applied to the pension surplus, and we concluded that the

Risk of material misstatement	Planned audit response	Outcome of audit work
pension balance as the estimation is based on specialist assumptions, and changes in the assumptions can result in material changes to the estimation.	audit team will also review the information provided by PwC and reflect this in the planned audit procedures where required.	accounting treatment adopted by the council was reasonable. Conclusion: the estimation of the pension balance is not materially misstated.

Source: Audit Scotland

The council's significant trading operation failed again to achieve its statutory break even requirement

42. Under the Local Government in Scotland Act (2003) the trading accounts of significant trading operations (STO) have a prescribed objective to break even over a rolling three-year period. The creation of a single combined Trading Account was approved in January 2014 to monitor and report the commercial trading activity of the council which currently includes Building Cleaning, Waste Management and Town Centre Activities.

43. The council reported a deficit of £0.5 million over the three-year period to 31 March 2026 which remains in a deficit of £0.2 million even after accounting for the technical accounting adjustment for IAS 19 Employee Benefits. As a result, the STO has not achieved its statutory break even objective over the rolling three-year period.

44. The trading operations continue to face financial pressures relating to both service costs and income recovery. The council has identified Community Operations as an area for review through its service redesign programme, and the efficiency and effectiveness of these activities will be considered as part of this work. Continued monitoring and action will be required to improve performance and return the trading operation to a break-even position.

Managing historic land ownership

45. During 2025/26, the council continued to address a number of historic land ownership and property rights matters, including housing assets situated on land not owned by the council and operational assets located on land held as part of the common good estate. These matters are relevant to the rights and obligations assertion for assets recognised in the financial statements.

46. We assessed the carrying value of the assets affected and concluded that any potential misstatement is not material to the 2025/26 financial statements. The council should continue to progress resolution of these

matters to provide clarity over ownership and legal rights associated with the affected assets.

Whole of Government Accounts (WGA) return

47. The council is part of the WGA boundary and therefore prepares a return that is used by HM Treasury to prepare the WGA. The National Audit Office (NAO) is the auditor for the WGA and issues instructions outlining audit procedures auditors must follow when auditing a WGA return. The threshold for requiring audit procedures to be performed on the WGA return was set at £2 billion. The council was below this threshold and therefore only limited audit procedures were required, and submission of an assurance statement to the NAO.

Prior year recommendations

48. The council has made reasonable progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with the council and are outlined in [Appendix 1](#).

Wider scope audit

Conclusion

The council has effective and appropriate arrangements in place for Financial Management; Vision, Leadership and Governance; and Use of Resources to Improve Outcomes. While arrangements for financial sustainability are well established through the council’s medium-term financial plan, the council continues to face significant financial challenges and must identify sustainable solutions to address its projected budget gap.

Audit approach to wider scope

Wider scope

49. As reported in the Annual Audit Plan, the wider scope audit areas are:

- Financial Management.
- Financial Sustainability.
- Vision, Leadership and Governance.
- Use of Resources to Improve Outcomes.

50. Audit work is performed on these four areas and a conclusion on the effectiveness and appropriateness of arrangements the council has in place for each of these is reported in this chapter.

Significant wider scope risks

51. Audit work has been performed in response to the significant wider scope risk identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit \(page 21\)](#).

Exhibit 6 Significant wider scope risks

Significant risk	Planned audit response	Outcome of audit work
Financial sustainability	The audit team will:	Audit work performed found:

Significant risk	Planned audit response	Outcome of audit work
<p>North Lanarkshire Council continues to operate in an increasingly complex and challenging environment where it aims to provide the best possible services within the resources available.</p> <p>Although a surplus position of £3.5 million is projected for 2025/26, the council faces significant financial challenges. The council has identified a gap of £71.2 million for the three years to 2027/28.</p> <p>There is a risk that in the longer term, the council is unable to deliver the savings required or generate alternative revenue streams to balance its budget whilst meeting its strategic priorities or fulfilling its statutory duties.</p>	<ul style="list-style-type: none"> • Review and evaluation of the council's budget setting arrangements. • Review and assessment of budget monitoring arrangements. • Review of the council's medium to longer-term financial planning. • On-going review of the council's financial position and delivery of planned savings. 	<ul style="list-style-type: none"> • The council's annual budget setting and monitoring arrangements were appropriate • The council's updated medium-term financial plan identified a budget gap of £75.5 million to 2029/30, which is a reduction of £10.4 million from the previous medium-term financial plan. • The council has a strong track record of delivering savings and operating within budget. However, the scope for further savings is narrowing. Given the scale of the financial challenges and forecast budget gap, there is an opportunity for a more strategic approach to council financial planning. This should include options or scenarios to support delivery of strategic priorities within the financial resources available. This should help inform strategic decision making. <p>Conclusion: The council must identify solutions to address the significant budget gap in a sustainable way. Given the magnitude of savings, this will likely require wider transformation of council services to ensure continued financial sustainability.</p>

Source: Audit Scotland

Conclusions on wider scope audit

Financial Management

52. The audit work performed on the arrangements the council has in place for securing sound financial management found that these were effective and appropriate. This judgement is evidenced by the council:

- having a system of internal control in place that is operating effectively and has no significant weaknesses or deficiencies.

- having clear and up-to-date policies and procedures, for example, financial regulations and scheme of delegation, in place that ensure effective financial management.
- having clear and up-to-date policies in place for preventing and detecting fraud and other irregularities, and participation in fraud prevention and detection activities such as the National Fraud Initiative (NFI).
- having suitably qualified and experienced staff leading the finance function, which has sufficient skills, capacity, and capability to effectively fulfil its role.
- having effective arrangements in place for the scrutiny of arrangements that support sound financial management, and effective scrutiny and challenge provided by the Audit and Scrutiny Panel.

The council demonstrated sound financial control during 2025/26, reporting an underspend against budget

53. The council approved a balanced 2025/26 budget in February 2025. The budget was set at £1,095.2 million, incorporating savings measures of £6.6 million. During the year, the budget was revised to £1,087.5 million following Scottish Government funding redeterminations and a reallocation of funding from revenue to capital.

54. The council reported a general fund underspend against budget of £7.0 million at provisional outturn. The most significant contribution to this favourable variance arose within Financing Costs and Other Budgetary Issues, which reported an underspend of £6.1 million.

55. We considered the budget position throughout the year through minute review. Four-weekly budget monitoring reports are initially reviewed by the Business Management Team before being considered by the Corporate Management Team. Quarterly budget monitoring reports are also presented to service committees and the Finance and Resources Committee.

56. We noted the projected surplus increased as the year progressed. We concluded that budget monitoring reports provided an overall picture of the budget position at service level. The reports forecast the outturn position for the year and include good narrative explanations for significant variances against budget.

The level of reserves continues to increase

57. One of the key measures of the financial health of a body is the level of reserves held. The level of usable reserves held by the council increased from £346.3 million in 2024/25 to £368.3 million in 2025/26.

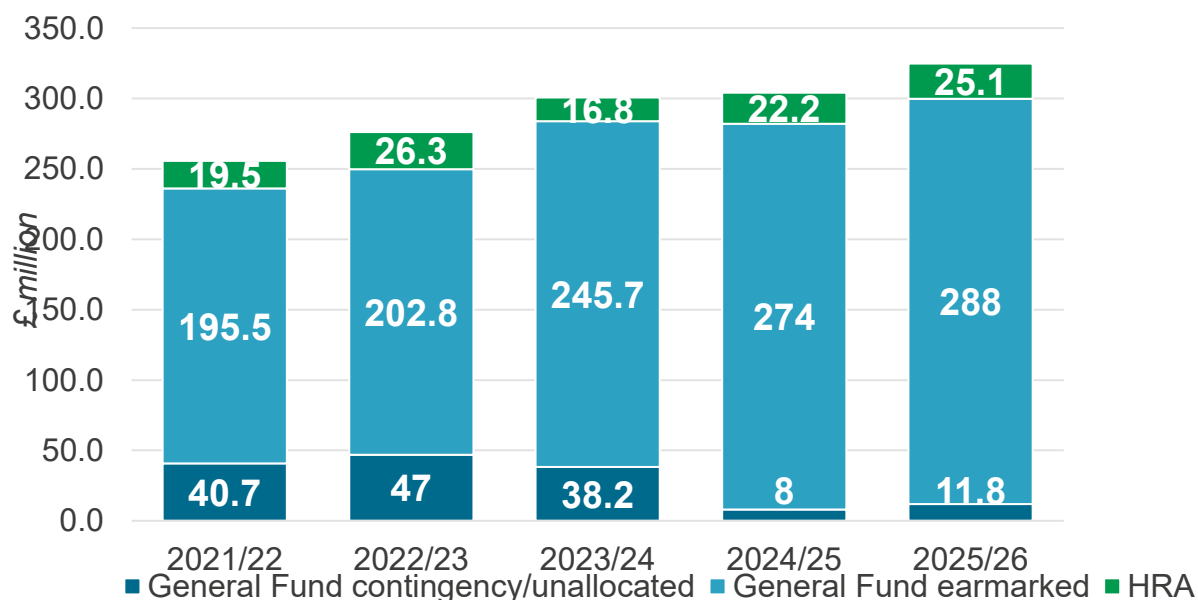
58. The General Fund is the largest usable reserve and is used to support the delivery of services. The total General Fund reserves now stands at £299.8 million:

- £11.8 million earmarked as a contingency fund – uncommitted amounts held for unexpected events or emergencies
- £10.3 million earmarked for a change management fund – used to support the one-off costs associated with approved savings and Voluntary Redundancy Scheme
- £19.4 million earmarked for future budget pressures – used to support strategic service redesign
- £258.3 million earmarked for specific future spending commitments, such as:
 - £70.5 million held for future contractual obligations for Public Private Partnership schools
 - £44.8 million for strategic capital investment programme
 - £37.8 million for future loans charges linked with the capital investment programme
 - £14.2 million for strategic workforce planning.

59. [Exhibit 7](#) provides an analysis of the General Fund and Housing Revenue Account over the last five years and shows the significant increase in reserves over the last three years due to surpluses. The council has consistently reported service level unplanned underspends. This trend has contributed to a steady increase in the council's general fund reserve, which stood at £299.8 million as of 31 March 2026.

Exhibit 7

Analysis of General Fund balance



Source: North Lanarkshire Council Annual Accounts 2025/26

60. The Revenue Budget Strategy supports the prudent and sustainable use of reserves to facilitate multi-year budgeting and to help smooth budget gaps. This approach aligns with the Reserves Policy, which sets out that reserves should only be used when there is a clear plan to deliver permanent savings.

61. The council undertook a review of its Reserves Policy in December 2025 in response to an audit recommendation. See [Appendix 1](#), follow up of prior year recommendation 3. The review recommended that the council set aside 1% of its net revenue expenditure budget to a contingency fund, and that the target amount held to address future budget pressures is based on an average of the 3-year budget gap. The budget gap is the envisaged scenario as set out in the medium-term financial plan and therefore incorporates the council's risk assessment assumptions.

62. As at 31 March 2026, the council held a contingency fund of £11.8 million, which aligns with the target of 1% of the council's net revenue expenditure budget per the revised Reserves Policy.

63. Audit work identified that, in line with the June 2026 medium-term financial plan, the target for the future budget pressures reserve was £25.2 million. However, given the total General Fund balance and other earmarked reserves required, the future budget pressures fund was set lower at £19.4 million.

64. The updated Reserves Policy sets out the purpose of the council's key earmarked reserves. As the council continues to develop its approach to reserves management, there is an opportunity to further enhance transparency through reporting on how these reserves are utilised to support service transformation, delivery of savings and management of future financial pressures.

65. In its consideration of the Controller of Audit's report, the Accounts Commission highlighted the significant financial challenges facing the council and expected the council to address the prior year's audit recommendation by reviewing its approach to the use of reserves and setting out clearly how it intends to close the budget gap.

66. The council has taken positive steps to strengthen its reserves framework through its updated Reserves Policy. As future financial challenges emerge, it will be important that the council continues to demonstrate how reserves are being used to support financial resilience, service transformation and the implementation of budget savings.

The council has maintained its strong record of delivering savings but achieving future savings will require increasingly difficult decisions

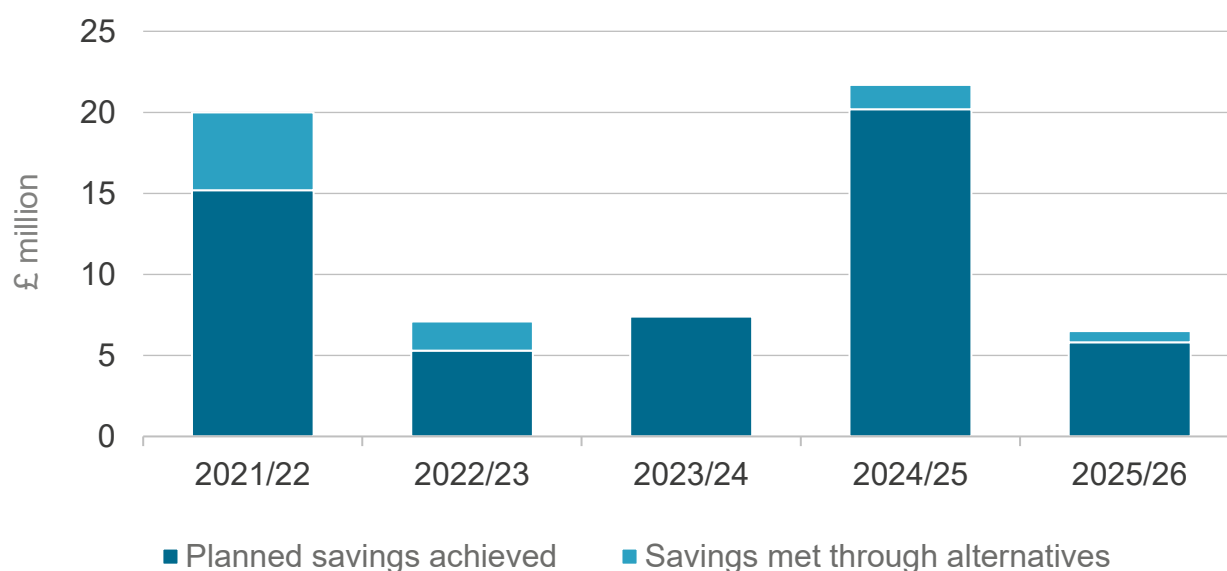
67. The budget for 2025/26 included planned savings of £6.6 million. The council achieved actual savings of £5.9 million. The shortfall of £0.7 million was met through alternative savings. Planned savings were achieved through:

- revising service operating models
- reducing levels of service provision
- implementing efficiency measures.

68. While the council continues to deliver savings and has arrangements in place to address shortfalls, increasing financial pressures mean that achieving future savings targets is likely to require more difficult decisions. [Exhibit 8](#) shows that the council has a strong record of delivering planned savings, including through the identification of alternative savings measures where required.

Exhibit 8

Savings – planned savings achieved and those met through alternatives



Source: North Lanarkshire Council's Annual Accounts 2021/22 to 2025/26

The new Programme for Government in September 2026 focuses on improving outcomes and addressing national challenges with wide ranging proposed reform

69. The Scottish Government's Programme for Government 2026–31 focuses on eradicating child poverty, growing the economy, tackling the climate emergency, and delivering a strong NHS and public

services. Within health and social care, it prioritises reducing waiting times, improving access to care, and shifting more services from hospitals into community settings to support prevention and independent living.

70. The Programme proposes modernisation and significant reform including replacing the current 14 territorial health boards with two strategic health boards. For local authorities, the Programme signals potential reform of health and social care governance and delivery arrangements and reducing duplication and increasing efficiency in the delivery of public services. While the direction of travel is towards greater integration, prevention and community-based care, the full implications for local authorities remain uncertain. Greater clarity is expected in the coming months as the Scottish Government undertakes planned consultation and engagement on the future of social care and local governance.

The council continues to invest significantly in its capital programme

71. The council approved a revised five-year General Fund Strategic Capital Investment Programme in March 2025 which covers the period 2024/25 to 2028/29. The approved capital programme includes planned investment of £856.5 million planned over the five-year period.

72. The council's Housing Revenue Account's 30-year business plan includes forecast investment of £828.8 million in housing provision over the same five-year period. Combined with General Fund investment this brings planned capital investment over the next five years to more than £1.7 billion.

73. Total capital expenditure in 2025/26 was £304.9 million which is an increase of £88.2 million since last year. While capital expenditure increased during the year, overall spend remained below planned levels due to a number of factors that continue to impact the construction industry, including shortages of material and labour, as well as inflationary pressures. There is no impact on the overall programme, with expenditure expected to be incurred on projects within the five-year programme period.

74. To support the capital programme, the council increased its long-term borrowing from £689.6 million at 31 March 2025 to £774.9 million at 31 March 2026.

75. Total external debt, which includes the council's long-term liabilities, was within the authorised limit and operational boundary set in the Treasury Management Strategy. The current borrowing position complies with the Prudential Code, and the council will continue to consider the affordability of future borrowing.

76. The scale of the council's planned capital investment is supported by the Community Investment Fund. The Controller of Audit highlighted the fund as an innovative approach to supporting capital investment and

regeneration. Established in 2018 and funded through additional council tax income, the fund had an expected value of £992.8 million over the period to 2033/34 as at December 2025.

77. The fund has already supported a number of significant projects, including community hubs, the regeneration of Cumbernauld town centre and the development of digital classrooms, helping to deliver the council's wider strategic and transformation ambitions.

Continuity and security of IT operations

78. In 2024/25, we reported that the council had not formally tested its Corporate Business Continuity Plan. In 2025/26, it developed and implemented a Business Continuity testing framework, with services now required to test their plans annually.

79. However, no physical testing has been undertaken of the council's Cyber Incident Response Plan or ICT Disaster Recovery Plan. This testing is critical to confirm that response and recovery procedures can be implemented as intended and support timely restoration of IT services after a cyber incident or significant disruption.

80. Penetration testing has been performed on the council's corporate network, but not on the separate schools network. High-severity vulnerabilities have either been addressed or are being remediated, but some medium-severity vulnerabilities remain without target resolution dates.

81. During 2025/26, the council participated in the Scottish Cyber Coordination Centre (SC3) Cyber Resilience exercise, which assessed public sector maturity against evolving digital threats. The exercise identified three areas for improvement:

- working towards Cyber Essentials Plus certification, with the whole organisation in scope where possible
- reflecting the scale and criticality of supplier relationships and network access in the Business Continuity Plan
- applying phishing-resistant multi-factor authentication to every account.

82. In 2023/24, we reported that the council did not receive formal assurance over the IT control environment for externally hosted systems, including:

- PECOS – purchase to pay system cloud hosted by Elcom
- Pay360 – cash receipting system cloud hosted by The Access Group
- iTrent – payroll system hosted by MidlandsHR (MHR).

83. Management is satisfied that there have been no issues around service performance or availability of information to support the preparation of the financial statements and there is no adverse impact on the system of internal control or governance arrangements in respect of the use of these systems.

84. There remains a risk for 2025/26 that the council does not have the required assurance over its IT operations. See [Appendix 1](#), brought forward recommendation 6.

Financial Sustainability

85. The audit work performed on the arrangements the council has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by the council:

- making appropriate arrangements including the Capital Strategy, Treasury Management Strategy, Revenue Budget Strategy and Medium-Term Financial Plan as well as policies and regulations and linking these to its priorities.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.
- having savings plans in place to manage forecast budget deficits, and a reserves strategy in place to manage the use of reserves if the required level of savings cannot be met.

86. Key financial information considered in forming the judgement on the council's arrangements for securing financial sustainability is outlined in [Exhibit 9](#)

87. Key financial information [\(page 29\)](#).

Exhibit 9

Key financial information

Budget setting	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)
Budget gap	11.0	22.6	13.6	19.3
Additional investment	3.1	-	1.7	10.0
Planned to be met via:				
• Savings and flexibilities	0.8	19.1	-	11.9

• Use of reserves	7.0	3.5	-	12.6
• Additional council tax / funding	6.4	-	15.3	9.2
Actual				
Savings delivered	7.4	20.2	5.9	
Reserves				
Contribution to / (use of) reserves	17.2	3.7	22.0	
Total usable reserves carried forward	342.6	346.3	368.3	
• General Fund:				
– Earmarked	253.7	282.0	300.00	
– Uncommitted	30.2	-	-	
• HRA	16.8	22.2	25.1	
• Capital and other	41.9	42.2	43.4	

Source: The council's 2025/26 annual accounts and Policy and Strategy Committee papers

The council has reduced its forecast budget gap, but significant financial challenges remain

88. The General Fund Revenue Budget for 2026/27 of £1,182.6 million was approved by the council in February 2026. This included £12.6 million use of balances to support a £10.0 million investment in addition to approved savings. Adjustments through final settlement adjustments resulted in a revised revenue budget of £1,182.5 million for 2026/27.

89. A total savings target of £5.8 million over the three-year period 2026/27 to 2028/29 was approved as part of the budget setting process for 2025/26:

- £2.9 million for 2026/27
- £2.6 million for 2027/28
- £0.3 million for 2028/29

90. The medium-term financial plan is updated annually and forms the basis of the council's savings plans. The plan includes a range of risk based outcomes which are presented over three scenarios: optimistic, envisaged and pessimistic. An update to the medium-term financial plan for the period 2027/28 to 2031/32 was approved by Committee in June 2026.

91. The council's latest medium-term financial projections continue to forecast significant budget gaps over the planning period. However, the forecast cumulative budget gap has reduced compared with the previous year. The council's projections over the five years to 2031/32 forecast an envisaged cumulative budget gap of £114.5 million, as detailed in [Exhibit 10](#). The envisaged cumulative budget gap over the next three years is £75.5 million.

Exhibit 10

Envisaged budget gap 2027/28 to 2031/32

	2027/28	2028/29	2029/30	2030/31	2031/32	Total
Budget gap (£ million)	25.0	28.3	22.2	19.4	19.6	114.5

Source: North Lanarkshire Council 5 Year Medium Term Financial Plan 2027/28 to 2031/32

92. The council has continued to plan for substantial future financial pressures through its medium-term financial planning arrangements. Although forecast budget gaps have reduced since the previous year, the remaining funding shortfall is significant and presents an ongoing risk to financial sustainability. Continued focus on delivering planned measures and maintaining effective financial management will be important to support the council's long-term financial position, particularly as national public sector reform and fiscal sustainability initiatives are expected to place further emphasis on efficiency, workforce planning and service transformation.

Vision, Leadership and Governance

93. The audit work performed on the arrangements the council has in place around its Vision, Leadership and Governance found that these were effective and appropriate. This judgement is evidenced by the council:

- having 'The Plan for North Lanarkshire' supported by a Programme of Work that clearly set out its vision, strategy, and priorities and reflect the pace and depth of improvement required to realise these in a sustainable manner.
- involving service users, delivery partners, and other stakeholders in the development of its vision, strategy, and priorities to ensure these align to their needs.

- having clear financial and performance reporting in place, that is linked to its priorities, and effective scrutiny and challenge of performance provided by the Audit and Scrutiny Panel.
- having effective governance arrangements in place in general, as reflected in the Annual Governance Statement included in the annual accounts.

The council's refreshed Programme of Work reflects the scale of the challenges it faces

94. The council uses a place-based approach, working with partners to deliver its strategic vision 'The Plan for North Lanarkshire'. This sets out a shared ambition to make 'North Lanarkshire the place to Live, Learn, Work, Invest, and Visit.' It is supported by a Programme of Work which was refreshed in March 2023, covering the period until 2028.

95. During 2025/26 the council undertook a mid-point review of its Programme of Work 2023-28 to assess whether its priorities and delivery arrangements remained relevant and achievable in an increasingly challenging operating environment. The review considered progress to date, performance information, stakeholder feedback and the continued impact of social, economic and financial pressures.

96. The review concluded that the council has made meaningful progress in delivering its programme of work whilst recognising that significant challenges remain. The council continues to face increasing service demand, financial pressures and wider economic uncertainty. The review concluded that, a more focused approach to transformation and service redesign was needed.

97. In response, the council has refreshed its Programme of Work, including the introduction of additional strategic deliverables and a greater emphasis on integration, prioritisation, prevention and service redesign. The effectiveness of these revised arrangements will be important in supporting the council's ongoing transformation ambitions and long-term financial sustainability.

Senior Councillors

98. Local authorities have the discretion to award Senior Councillor Remuneration to selected councillors reflecting roles and responsibilities. North Lanarkshire Council approved a motion in April 2026 to withdraw Senior Councillor Remuneration (formerly Special Responsibility Allowances) from the SNP group. We would have expected the determination of Senior Councillor Remuneration to be clearly aligned to positions, reflecting roles and responsibilities to support effective governance and use of resources.

99. We reviewed the council's consideration of the matter and discussed the decision with the Monitoring Officer and Section 95 Officer. The matter

is ultimately a decision for elected members and the council's Monitoring Officer has confirmed that the motion was competent and lawful.

Equalities and fairness

100. We noted in our Annual Audit Plan 2025/26 that auditors are required to carry out a review of the 'fairness and equality' characteristic at least once during the audit appointment. We completed this work as part of the 2025/26 audit.

101. The council demonstrates a clear commitment to fairness and equality through a comprehensive framework of strategies, policies, and reporting mechanisms. The council has embedded equality considerations into its strategic planning, service delivery, and employment practices, aligning with the requirements of the Equality Act 2010, and other relevant legislation.

102. This is reflected in the publication of key documents such as the Refreshed Equality Strategy 2025 - 2029, the Tackling Poverty Strategy, and the Procurement Strategy, all of which incorporate equality objectives and align with statutory duties as well as the council's priorities set out in The Plan for North Lanarkshire.

103. The council has also made effective use of Equality Impact Assessments (EIAs), which are consistently applied to ensure equality considerations are integrated into policy development and decision-making processes.

104. The council's Equalities Board, which is chaired by the Chief Officer of People Resources, considers the impact of council policies, developments in Equalities legislation and other updates on equalities activities. Employees have the opportunity to feed into Board decisions through an employee equalities forum.

105. A positive organisational culture is further supported by the requirement for all staff to complete annual equality training, with content regularly updated to reflect legislative changes.

106. The most recent Equality Mainstreaming Report was published in May 2025 and covers progress the council has made in delivering the previous Equality Outcomes during 2021-25.

107. The council has refreshed Equality Outcomes within its Equality Strategy 2025 – 2029 which includes criteria for success set out within a separate Performance Management Framework (the PMF). The PMF presents a current 'RAG' status against each outcome, however this is not currently published within the Mainstreaming Report.

108. With the Equality Outcomes now refreshed in the Equality Strategy 2025 – 2029, future Mainstreaming reports should include clear criteria for

success and current 'RAG' status against each outcome, to clearly highlight for readers where improvements are needed.

Recommendation 2: Equality Mainstreaming Reports

The council should ensure that future Equality Mainstreaming Reports include clear criteria for success against and current 'RAG' status against each outcome, to clearly highlight for readers where improvements are needed.

Use of Resources to Improve Outcomes

109. The audit work performed on the arrangements the council has in place around its Use of Resources to Improve Outcomes found that these were effective and appropriate. This judgement is evidenced by the council:

- being able to demonstrate a clear link between the use of resources and delivery of its priorities.
- having arrangements in place to benchmark its performance to identify areas of improvement.
- being able to demonstrate improvements in performance against benchmarks and relative to other comparable organisations.

Self-evaluation arrangements support continuous improvement

110. The council continues to demonstrate a strong commitment to self-evaluation as a key mechanism for driving continuous improvement and evidencing progress against its strategic priorities. A well-established Strategic Self-Evaluation Framework is in place, supported by a rolling programme of reviews which is updated annually and overseen through the council's governance arrangements.

111. Since the framework and rolling review programme were established, the council has undertaken 13 self-evaluation exercises across a range of service areas. These reviews identified areas for improvement, with resulting actions incorporated into improvement plans that are subject to annual monitoring.

112. A national programme of work, led by the Improvement Service and supported by SOLACE, is developing a National Self-Evaluation Framework for local government. The framework is intended to provide a more consistent approach to assessing performance, leadership, governance and impact across Scotland's councils, while supporting the demonstration of continuous improvement and Best Value. The framework will establish a common basis for self-evaluation and is expected to influence the future development of local self-evaluation arrangements.

Best Value audit

Conclusion

The council has effective and appropriate arrangements in place for securing Best Value.

The Management Report on themes prescribed by the Accounts Commission reported the council's Corporate Asset Management Plan provides a clear strategic framework for managing and developing its assets.

The council has effective and appropriate arrangements in place for publishing statutory performance, except for improving its public performance reporting to provide its citizens and communities with a clear summary of performance.

Audit approach to Best Value

113. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within the annual audit. As part of the annual audit, auditors are required to take a risk-based approach to assessing and reporting on whether the council has made proper arrangements for securing Best Value in accordance with statutory guidance, including follow up of findings previously reported in relation to Best Value.

114. The Accounts Commission also reports nationally on thematic aspects of councils' approaches to, and performance in, meeting their Best Value duties. As part of the annual audit, thematic reviews, as directed by the Accounts Commission, are conducted on the council. The thematic review for 2025/26 is on the subject of asset management and involved considering how councils are managing their assets to achieve their corporate objectives and respond to challenges around financial sustainability and climate change. Conclusions and judgements on the thematic review are reported in a separate Management Report and summarised in this chapter.

Conclusions on Best Value

The council's arrangements and performance in meeting Best Value and community planning duties

115. The council was part of the third year of the programme for Controller of Audit reports to the Accounts Commission on the council's performance

in meeting its Best Value duties. The Controller of Audit report is available on the Audit Scotland website, with a summary of the conclusions and judgements made in the report outlined below.

- As one of Scotland's largest councils, and with significant and persistent socio-economic challenges, the Accounts Commission is impressed with North Lanarkshire's commitment to improving outcomes for its communities and its outward-facing approach to working with partners across and outwith the region. Examples include its partnership working with NHS Lanarkshire and North and South Lanarkshire Integration Joint Boards in the delivery of health and social care services, and with the construction sector in relation to skills.
- The council has an ambitious vision for the area that is shared with partners, underpinned by a well-established programme of work. Combined with effective financial and performance management, a track record of delivering savings, integrated workforce planning, and prioritisation of community engagement, the council has strong foundations for addressing its widening budget gap. Given the significant financial challenges ahead, the Accounts Commission expects the council to address the auditor's recommendation around reviewing its approach to the use of reserves and to now set out clearly how it intends to close the budget gap.
- Transformation is embedded at a service level, and the council is taking an innovative place-based approach to addressing future financial sustainability and improving outcomes, including creating community hubs with partners such as the NHS. Ensuring that financial and non-financial benefits are tracked is essential, as is establishing what's worked well and what lessons can be learned when deciding where to focus limited resources going forward. The Accounts Commission looks forward to seeing progress on its benefits realisation tool in the next annual audit report, given the increasing role that transformation needs to play in closing the budget gap.
- The council's approach to housing and homelessness should be recognised and its Local Government Benchmarking Framework performance indicators in this service area are among the best in Scotland, demonstrating the impact of its sustained investment and preventative approaches. However, there is mixed performance in other service areas and like many others, the council has seen a sustained deterioration of satisfaction indicators since 2010/11 which should be further explored. Addressing future financial challenges is likely to continue to involve a mix of transformation, redesign and some service reductions, so the Accounts Commission would urge the council to continue to monitor the impact on service performance and customer satisfaction. It should also ensure that work to improve public reporting of performance

across its strategic key 'health check' indicators is concluded so that wider impacts on outcomes are visible.

- The Accounts Commission are pleased to see that the council has responded positively to the auditor's recommendations around improving processes for elected member engagement, including in strategic planning. Maintaining members' commitment to the council's vision, priorities and transformation will be essential as we approach an election year. The council's commitment to a review of democratic, committee and decision-making governance procedures is also welcomed. The Accounts Commission expects to see evidence of enhanced scrutiny in relation to senior officer restructuring, which should include documented consideration of options around achieving value for money.
- The council has made its expectations of staff very clear in relation to hybrid working and the Accounts Commission would encourage it to monitor the impacts of this policy on productivity, performance, staff wellbeing, recruitment and retention. Ongoing engagement and effective relationships with staff and trade unions will be essential to achieving financial sustainability and the council's vision for the area.

Themes prescribed by the Accounts Commission

116. As previously outlined, the Accounts Commission reports nationally on thematic aspects of council's approaches to, and performance in, meeting their Best Value duties, with the thematic review for 2025/26 on the subject of asset management. Conclusions and judgements on the council's approach to asset management are outlined in a separate Management Report which is available on the Audit Scotland website. A summary of the conclusions and judgments made in the report is outlined below.

- North Lanarkshire Council's Corporate Asset Management Plan provides a clear strategic framework for managing and developing its assets. The plan is aligned with the Strategic Capital Investment Programme and supports delivery of the council's corporate priorities.
- The Corporate Asset Management Plan reflects post-Covid hybrid working arrangements, changing population needs and future demand for services, and links to the council's ambition to meet net zero commitments.
- The council has sufficiently considered the affordability of its capital programme and asset management plans whilst navigating substantial financial pressures.
- The council has strong reporting and monitoring of its capital programme, but asset management plan reporting needs

improvement. The council recognises this and is taking steps to address it. Its latest performance has improved against all relevant Local Government Benchmarking Framework indicators compared to 2013/14.

- The council's approach to community asset transfers (CAT) is clear and transparent. Ongoing improvements to simplify procedures and enhance support help encourage more CAT proposals. There are examples of engaging with communities in developing asset management plans. However, the impact of this feedback on decision-making is not always clear.
- The council takes a proactive place-based approach through initiatives such as the community hub programme and housing investment programmes. It brings together council services, partners and third-sector organisations to strengthen referral pathways, make better use of community assets and co-ordinate investment in housing and regeneration. This supports positive outcomes, including accessible, joined-up services and improved health, wellbeing and social inclusion.

Statutory performance information (SPI) and service performance

117. The Accounts Commission has issued a [Statutory Performance Information Direction](#) which requires the council to publish information that will:

- enable comparisons of performance between councils and over time
- show how well it is improving local outcomes with community planning partners in their area.

118. Auditors have a statutory duty to satisfy themselves that the council has made proper arrangements for preparing and publishing SPI in accordance with the Direction and report a conclusion in the Annual Audit Report.

119. The arrangements the council has in place for preparing and publishing SPI were assessed by considering:

- whether information reported allowed comparison of performance between councils and over time
- the indicators it uses for reporting and whether it maximises use of the Local Government Benchmarking Framework (LGBF) indicators (and explaining the rationale when the LGBF is not used)
- whether information reported was balanced, timely, and accessible

- whether information reported covered the four key areas set out in the Schedule to the Direction.

120. Audit work on the arrangements the council has in place for preparing and publishing SPI concluded that, except for improving its public performance reporting to provide its citizens and communities with a clear summary of performance, the arrangements in place were effective and appropriate. See [Appendix 1](#) for an update on this recommendation previously reported.

121. The Accounts Commission also requires auditors to report a summary of the LGBF indicators the council has reported, which can be seen in [Exhibit \(page 39\)](#).

Exhibit 11

Summary of LGBF indicators the council has reported

	Cost indicators %	Performance indicators %	Satisfaction indicators %	All indicators %
Movement in last year				
Improved	70	51	9	50
Stayed the same	5	26	9	20
Declined	25	23	82	29
Movement since base year				
Improved	55	73	-	62
Stayed the same	-	6	-	5
Declined	45	21	100	33
Indicators in the top two quartiles				
Most recent year	45	58	18	51
Base year	40	50	55	49

Source: LGBF at 17 August 2026. The reported percentages are calculated from 20 cost indicators, 77 performance indicators, 11 satisfaction indicators and 108 indicators overall.

122. There has been mixed performance across the council's LGBF indicators. Cost and performance indicators showed positive movement

with strong improvement in cost indicators in the most recent year. However, satisfaction indicators continue to present a challenge, with all reported satisfaction indicators declining since the base year.

123. The proportion of the council's indicators in the top two quartiles has increased slightly since the base year, suggesting the council has broadly maintained or marginally improved its position relative to other councils. However, the significant decline in satisfaction indicators continues to adversely affect overall performance.

124. At service level, Children's Services, Economic Development and Housing Services have shown the strongest improvement since the base year. Housing Services remains an area of strength, with all indicators now in the top two quartiles. In contrast, Adult Social Work Services, Corporate Services, Culture & Leisure Services and Financial Sustainability have declined relative to other councils, with Financial Sustainability showing the most significant deterioration.

Progress against previous Best Value findings and recommendations

125. Best Value findings and recommendations have been made in previous years' Annual Audit Reports, Management Reports on themes prescribed by the Accounts Commission, and in Best Value reports published by the Accounts Commission, which are based on Controller of Audit reports.

126. Details of previous recommendations and progress the council is making against these can be seen in [Appendix 1](#). The council is making good progress in implementing previous recommendations. Overall, the pace and depth of improvements resulting from the recommendations is positive.

Appendix 1

Action plan 2025/26

2025/26 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Creditors</p> <p>Several errors were identified through audit testing of creditors balances in 2025/26. The council corrected the classification error of £13.4 million. Whilst these errors do not result in a material misstatement of the 2025/26 financial statements, they highlight weaknesses in the council's processes for reviewing, evidencing and classifying creditor balances. Further work is required to validate historic balances and ensure liabilities are appropriately recorded.</p> <p>Risk – there is a risk that creditors balances are not accurately reflected within the financial statements.</p>	<p>The council should carry out a review of historic and high value creditor balances held in order to confirm that: balances are supported by appropriate evidence; balances are classified correctly; and historic balances that no longer present a valid obligation are identified and derecognised where appropriate.</p>	<p>Accepted</p> <p>A review of historic and high value creditor balances will be undertaken, with derecognition of balances as appropriate. Year-end instructions will be revised to include further direction on the classification and treatment of suspense account balances at year-end.</p> <p>Responsible officer: Chief Officer (Finance and Technology)</p> <p>Agreed date: June 2027</p>
<p>2. Equalities mainstreaming reports</p> <p>The most recent Equality Mainstreaming Report was published in May 2025 and covers progress the council has made in delivering the equality outcomes during 2021-25. The report does not include comparators or benchmarks in order to assess progress against each Equality Outcome.</p>	<p>The council should ensure that future Equality Mainstreaming Reports include clear criteria for success against and current 'RAG' status against each outcome, to clearly highlight for readers where improvements are needed.</p>	<p>Accepted</p> <p>The criteria for success and RAG status currently set out within the Performance Management Framework will be incorporated within the Council's future published Mainstreaming Reports. The next report is due to be published in draft in early 2027.</p> <p>Responsible Officer:</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
Risk - members, stakeholders and the public may be unable to effectively assess whether the council is achieving its equality objectives or identify where additional action is required.		Chief Officer (People Resources) Agreed date: May 2027

2025/26 recommendations from the Best Value thematic report

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Governance arrangements in the Corporate Asset Management Plan</p> <p>The council's Corporate Asset Management Plan (CAMP) could be strengthened by setting out additional detail on the corporate governance arrangements, including key roles and responsibilities.</p> <p>Risk – A lack of clarity regarding review and reporting arrangements may lead to unclear accountability for delivery of the CAMP, reducing assurance that priorities remain aligned with corporate objectives.</p>	<p>The council should set out further detail on the governance arrangements for corporate asset management in its CAMP to improve transparency and accountability. This should include key roles and responsibilities, reporting arrangements, and how progress and priorities will be reviewed and aligned with corporate objectives.</p>	<p>Accepted</p> <p>This will be reflected in the next update to the CAMP which is expected after the introduction of the next Strategic Capital Investment Plan (due at Policy and Strategy Committee in December 2026).</p> <p>This will include consideration of consolidated CAMP and associated asset management plans (AMPs) reporting and supporting governance and monitoring arrangements to strengthen oversight, accountability, and assurance of asset management delivery across the council.</p> <p>Responsible officer: Chief Officer (Assets and Procurement)</p> <p>Agreed date: September 2027</p>
<p>2. Performance reporting</p> <p>The current performance reporting arrangements do not provide a comprehensive view of performance across</p>	<p>The council should enhance the annual CAMP update by bringing together key performance information, achievements, risks and</p>	<p>Accepted</p> <p>The council's approach to reporting of the CAMP and associated AMPs will be reviewed with a view to</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>the council's asset portfolio. As a result, it is difficult to assess overall performance across different asset classes or to understand how delivery of the CAMP contributes to the council's wider strategic objectives and decision-making.</p> <p>Risk – Limited performance reporting may reduce strategic oversight and accountability for the delivery of the CAMP.</p>	<p>improvement actions across asset classes to demonstrate progress against the plan's objectives and enhance strategic oversight.</p>	<p>developing standardised reporting arrangements, including common themes, together with a template and reporting schedule. Consideration will also be given to the benefits to be gained from introducing a consolidated annual assets management report for the council to provide a comprehensive overview of performance, progress, risks and priorities across the council's asset portfolio.</p> <p>Responsible officer: Chief Officer (Assets and Procurement)</p> <p>Agreed date: September 2027</p>
<p>3. Reporting on community feedback</p> <p>The council's consultation summary reports do not always clearly show how the council has used the outcomes of engagement with communities to inform decision-making.</p> <p>Risk– Communities may have limited assurance that their views have been appropriately considered, reducing transparency and accountability.</p>	<p>The council could further strengthen its reporting on community engagement in asset management by clearly demonstrating how it has considered and used feedback from communities to inform decision-making. This could include showing the extent to which community views have influenced asset management plans and related decisions.</p>	<p>Accepted</p> <p>Discussions will be undertaken across all relevant services to develop a consistent approach to recording and reporting the information derived from consultation activity. This will support the development of a standard process for demonstrating how community feedback has been considered and how it has influenced assets management plans and related decision-making, strengthening transparency and accountability.</p> <p>Responsible Officer: Chief Officer (Assets and Procurement)</p> <p>Agreed date: September 2027</p>

Follow-up of previous AAR recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>1. Fixed asset register</p> <p>It is not possible to directly agree the depreciation figures reported in the financial statements to those recorded in the fixed asset register for each asset class. This has also been the case in prior years and is due to inherent limitations in the functionality and structure of the fixed asset register.</p> <p>Risk – The council's underlying records do not support the figures in the accounts.</p>	<p>The council should undertake a review of the fixed asset register to assess its capability to support accurate reporting.</p> <p>Agreed action:</p> <p>The Council fully reviews and reconciles all fixed asset transactions within the overall Fixed Asset Register to the financial ledger and financial statements to ensure accurate reporting.</p> <p>However, the Council will review the specific summary FAR extract report and reporting tool mechanics relating to depreciation charged to enhance reconciliations processes.</p> <p>Original responsible officer:</p> <p>Chief Officer (Finance and Technology)</p> <p>Original agreed date:</p> <p>June 2026</p>	<p>Implemented</p> <p>Our audit work successfully agreed depreciation figures to the fixed asset register.</p>
<p>2. Common Good assets</p> <p>Common Good assets of up to £12.7 million are held on the council's balance sheet.</p> <p>Risk – Assets on the balance sheet continue to be overstated.</p>	<p>The council should continue to review requirements to disclose Common Good assets separately from council assets.</p> <p>Agreed action:</p> <p>The council agrees to continue to review the disclosure requirements in respect of Common Good assets.</p> <p>Original responsible officer:</p> <p>Chief Officer (Finance and Technology)</p> <p>Original agreed date:</p>	<p>Not implemented</p> <p>The council continues not to operate a separate Common Good Fund, with Common Good assets remaining included within council property, plant and equipment balances. While disclosure of Common Good assets has been provided in the accounts, the recommendation to disclose Common Good assets separately from council assets has not been implemented therefore remains as an unadjusted</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	June 2026	<p>misstatement, see Appendix 2.</p> <p>Details of revised action:</p> <p>The council continues to explore potential resolution to the legal complexities linked to legal rights associated with Common Good Assets (i.e. the distinction linked to General Fund building and maintaining community assets on common good land).</p> <p>Responsible officer:</p> <p>Chief Officer (Finance and Technology)</p> <p>Agreed date:</p> <p>Ongoing</p>
<p>3. Strategic use of reserves</p> <p>The council's unearmarked contingency reserves for unforeseen or unplanned costs is £8 million, less than 1% of the council's annual budget. While the council has established an earmarked reserves for budget pressures it is unclear when these would be utilised and what the optimal or targeted level for this reserve would be.</p> <p>Risk – There is a risk that there is not a clear understanding around the purpose of reserves and these should be effectively utilised by the council.</p>	<p>The council should undertake a review of its reserves to determine what the planned or targeted level of reserves is appropriate. It should also look to define when certain earmarked reserves such as those earmarked for future budget pressures would be utilised as it is unclear whether these would be use to address short term pressures or to support investment to support long term sustainability and improved outcomes.</p> <p>Agreed action:</p> <p>The Council will undertake a review of reserves to determine a planned/ target level appropriate and timing of use.</p> <p>Original responsible officer:</p> <p>Chief Officer (Finance and Technology)</p>	<p>Implemented</p> <p>The council completed a review of its reserves policy in December 2025. The revised policy establishes target levels for key reserves, including the contingency and future budget pressures reserves, and sets out the intended purpose of significant earmarked reserves.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	Original agreed date: June 2026	
<p>4. Exit packages</p> <p>During the year the council reduced its Chief Executive Chief Officers from six to five as part of a savings initiative. Audit work found that the early retirements for two Chief Officers were processed in line with policy however there was limited documentation of alternative options considered.</p> <p>Risk – There is a risk that the severance payments do not represent value for money.</p>	<p>There are opportunities for the council to enhance the standard of documentation of early retirement decisions. The council should also review its policies and procedures to ensure that exit packages of senior officers are subject to additional scrutiny.</p> <p>Original agreed action:</p> <p>The Council intends to undertake a wider review of its democratic, committee and decision-making governance procedures with a report due to be presented to Policy and Strategy Committee on 25 September 2025. Phase 4 of this review includes a review and update of the Scheme of Administration and Delegation, which will now incorporate consideration of the governance around early release of senior staff.</p> <p>Original responsible officer:</p> <p>Chief Officer (Legal and Democratic)</p> <p>Original agreed date:</p> <p>December 2026</p>	<p>Work in progress</p> <p>The governance review is underway and will be completed in four phases. The full review is due to be completed by December 2026.</p>
<p>5. Statutory override</p> <p>The statutory override relating to valuation of infrastructure assets is due to end for the 2024/25 financial statements.</p> <p>Risk – A permanent solution has not yet been agreed and CIPFA believe that this will continue to be an area of</p>	<p>The council should work with CIPFA and the wider local government sector to arrive at an appropriate solution for the implementation of accounting for infrastructure assets.</p> <p>Agreed action:</p> <p>The Council will work with CIPFA and the wider Local Government sector as</p>	<p>Implemented</p> <p>The statutory override has been extended until March 2027.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
<p>enhanced scrutiny for local government auditors.</p>	<p>appropriate to inform a decision on the accounting treatment for infrastructure assets.</p> <p>Original responsible officer: Chief Officer (Finance)</p> <p>Original agreed date: Ongoing</p>	
<p>6. Continuity and security of IT operations</p> <p>Business and Digital support services to develop appropriate ICT Disaster Recovery arrangements. Disaster recovery testing varies across systems and services. The Corporate Business Continuity Plan has not yet been tested.</p> <p>The council does not receive formal assurances regarding the IT control environment for systems which are externally hosted.</p> <p>Risk – There is a risk that the council does not have the required assurance over its IT operations.</p>	<p>The council should ensure there is appropriate oversight of its continuity and security of IT operations and ensure the necessary assurances are obtained for externally hosted systems.</p> <p>Agreed action:</p> <p>Services will continue to own and manage their Business Continuity arrangements – with support and guidance from the Resilience Planning Team. Business Continuity testing framework has been implemented. It is recommended that Services test their plans annually and a corporate test will be arranged every 3 years.</p> <p>Original responsible officer: Depute Chief Executive</p> <p>Original agreed date: November 2026</p> <p>Oversight of IT security and IT Disaster Recovery will continue to be managed through established corporate working groups and Service Management Teams. Development of assurances on externally hosted systems will be monitored through the established arrangements of the Digital North Lanarkshire Programme of Work.</p>	<p>Work in Progress</p> <p>The council has made progress in strengthening its business continuity and cyber resilience arrangements. However, key actions remain outstanding, including testing of ICT disaster recovery plans and obtaining assurance over externally hosted systems.</p> <p>Details of revised action:</p> <p>Management of DR and BCP practices continue to be developed by the Resilience Planning Team, with the recent onboarding of C2 management Information System used to capture BCP, functions and dependencies.</p> <p>The council has strengthened its internal guidance on 3rd party supplier management in particular through the Enterprise Architecture Governance Group and its oversight of contract renewals or proposals. The refreshed Digital and IT strategy for 2027 to 2030 will further enhance guidance in this area.</p> <p>Responsible officer: Chief Officer (Finance and Technology)</p> <p>Agreed date:</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
	<p>Original responsible officer: Chief Officer (Business and Digital)</p> <p>Original agreed date: April 2025</p>	<p>June 2027</p>
<p>7. Public performance reporting</p> <p>The council does not publish a summary of its performance which is easy for its citizens and communities to determine how well its services are performing and what action is needed to improve service performance.</p> <p>Risk – North Lanarkshire's citizens and communities cannot determine how the council is performing.</p>	<p>The council should improve its public performance reporting to provide its citizens and communities with a clear summary of performance.</p> <p>Agreed action:</p> <p>Accepted</p> <p>Following various programme of work reports to each committee cycle throughout the year, regular news articles and updates on delivery and performance are reported through the council's website. With the Programme of Work to 2028 and its associated governance arrangements well established, work will be undertaken during 2025/26 to formally review and redevelop public performance reporting arrangements.</p> <p>Original responsible officer: Chief Officer (Business and Digital)/ Chief Officer (Strategy and Engagement)</p> <p>Original agreed date: March 2026</p>	<p>Work in Progress</p> <p>Discussions are ongoing to develop an enhanced approach to public performance reporting. Options are being explored for different audiences, while performance information continues to be reported through existing channels, with a performance summary report planned for September 2026.</p> <p>Details of revised action:</p> <p>A wide range of mechanisms already exist to summarise and report performance. This includes regular reports to the Policy and Strategy Committee on delivery of the Programme of Work and the 28 health check indicators, alongside quarterly performance assurance reports to the Audit and Scrutiny Panel in relation to service performance and to support both business and statutory performance reporting requirements. These arrangements are accompanied, where appropriate, by news updates published on the council's website which are also captured in the council's newly redesigned dedicated planning, performance, and improvement web portal.</p> <p>Collectively, these arrangements generate a</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
		<p>substantial volume of performance information throughout the year. Work is therefore underway to identify the most appropriate approach and suite of reporting products to meet the needs of each different audience while improving the council's public performance reporting arrangements.</p> <p>As an initial step, a publicly accessible performance summary report will be developed following consideration of the latest Programme of Work report by Committee in September 2026.</p> <p>Responsible Officer: Chief Officer (Legal, Democratic and Strategy)</p> <p>Agreed date: March 2027</p>
<p>8. Land and buildings valuations</p> <p>We have previously reported how the council values its land and buildings, with the exception of council dwellings, at 1 April and not at the 31 March year end. Given recent significant inflationary pressures on build cost rates there is an increasing risk of a material movement between the date of revaluation and 31 March.</p> <p>In 2023/24 the council worked with its valuers to revise its approach to the valuation of land and buildings. The council now values a 20 per cent representative sample of asset classes each year with</p>	<p>The council should consider its approach to the valuation of land and buildings going forward to ensure it is appropriate to assess whether asset values have moved materially in year and as at 31 March year end.</p> <p>Agreed action:</p> <p>The council will continue to consider its approach to the valuation of land and buildings taking into account the requirements of the Code of Practice on Local Authority Accounting, alongside the practicalities and impact on the timely preparation of the annual accounts that any potential changes might have.</p>	<p>Superseded</p> <p>The council revalues land and buildings, with the exception of council dwellings, at 31 January. The requirement to revalue an asset when its fair value differs materially from its carrying value has been withdrawn in the revised Code for 2025/26.</p>

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
a valuation date of 31 January 2024.	Original responsible officer: Chief Officer (Finance)	
Risk – There is a risk that the current value of land and buildings does not reflect carrying value at 31 March.	Original agreed date: Ongoing	

Progress against previous Best Value and Accounts Commission findings and recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>1. Benefits realisation</p> <p>The council is developing a benefits realisation tool. It does not currently track or report transformation benefits at project level.</p>	<p>The council should prioritise completion of its benefits realisation framework and incorporate reporting on both financial and non-financial benefits into regular monitoring reports. Given the financial challenges the council is facing there is a need to increasingly monitor and track cost and benefits of transformation projects. This will help inform officers and members of the extent to which transformation projects are delivering their intended benefits.</p> <p>Agreed action:</p> <p>Following the Framework to the One Service Board in March 2025, arrangements are being made to roll this out to all of the other Programme of Work Boards.</p> <p>Responsible officer:</p> <p>Chief Officer (Strategy and Engagement)</p> <p>Agreed date: June 2026</p>	<p>Work in progress</p> <p>The midpoint review of the Programme of Work was completed in June 2026 and resulted in implementation of the Benefits Realisation process being paused pending updates to the associated Delivery Plan and programme governance arrangements.</p> <p>A report to Policy and Strategy Committee in September 2026 provides an update on work to develop the refreshed Delivery Plan. It also outlines the next steps, including the presentation of the revised governance arrangements and updated Delivery Plan to Committee in December 2026.</p> <p>Work is ongoing in parallel to update the corresponding governance arrangements for the Programme of Work, with a revised Board structure being established due for implementation late 2026. This will include a dedicated transformation and assurance board, through</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
		<p>which benefits realisation arrangements will be progressed and monitored as part of the refreshed governance arrangements</p> <p>Responsible officer:</p> <p>Chief Officer (Legal, Democratic and Strategy)</p> <p>Agreed date:</p> <p>March 2027</p>
<p>2. Improving public reporting of progress against the 28 Health Check Indicators</p> <p>The council uses 28 indicators to monitor the impact of The Plan for North Lanarkshire as a whole and to determine whether places and services are improving.</p> <p>A summary of the council's performance against its 28 health check indicators is not easily accessible to the public.</p> <p>This makes it difficult for the public to find out and understand how the council is performing or what impact it is having locally.</p>	<p>The council should ensure that the reporting of progress against its 28 Health Check Indicators is more accessible to the public.</p> <p>Agreed action:</p> <p>There is a dedicated section within the Programme of Work pages on the website</p> <p>The council should ensure that the reporting of progress against its 28 Health Check Indicators is more accessible to the public. for "Performance", however this is under re development to ensure it captures, and provides access to, all relevant and already existing council and Programme of Work performance reporting in the one place. This will include regular updates on the 28 health check indicators in a way that is meaningful to the reader.</p> <p>Responsible Officer:</p> <p>Chief Officer (Strategy and Engagement)</p> <p>Agreed date:</p> <p>June 2026</p>	<p>Implemented</p> <p>The council has significantly updated the performance section on its website which now reports an overview of the 28 health check indicators.</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>3. Acting on staff engagement feedback</p> <p>The council engages with staff and trade unions via staff surveys, roadshows, and trade union forums. However, it is not always clear how the council utilises feedback into council decisions and policies.</p>	<p>As the council develops its staff engagement approach, it should ensure that as well as providing information to staff on council decisions, it also incorporates the views of staff and trade unions to support transparent decision making, and evidence how it is acting on findings from the Summer 2024 Roadshow sessions.</p> <p>Original responsible officer: Fiona Whittaker, Chief Officer (People Resources)</p> <p>Original agreed date: December 2025</p>	<p>Implemented</p> <p>The council has revised staff survey based on the fair work first framework and agreed the contents of the survey with Trade Unions.</p>
<p>4. Hybrid working policy</p> <p>Flexible and hybrid working policies are more structured in North Lanarkshire, relative to other councils and organisations. This may make the council a less attractive place to work, in the context of ongoing recruitment challenges.</p>	<p>The council should continue to monitor the impact of its hybrid working approach. It should continually assess the impact of increasing the number of office days, in terms of performance, staff wellbeing, and recruitment and retention.</p> <p>Original responsible officer: Fiona Whittaker, Chief Officer (People Resources)</p> <p>Original agreed date: January 2026</p>	<p>Implemented</p> <p>The council's final hybrid working survey has been developed and issued to all relevant staff to assess the effectiveness of its hybrid working policy which was implemented in late 2024.</p>
<p>5. Temporary workforce</p> <p>The council does not report data on temporary, including agency staff, although it is held by services.</p>	<p>The council should include data reporting on its temporary workforce as part of published workforce data, and once available it should include data on agency workers.</p> <p>Original responsible officer: Fiona Whittaker, Chief Officer (People Resources)</p> <p>Original agreed date: December 2025</p>	<p>Implemented</p> <p>Data on temporary workforce is now included within the Workforce Dashboard and data regarding agency workers is currently reported through the Workforce Steering Group.</p>

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
<p>6. Accounts Commission – budget gap</p> <p>Given the significant financial challenges ahead, we expect the council to address the auditor’s recommendation around reviewing its approach to the use of reserves and to now set out clearly how it intends to close the budget gap.</p>		<p>Work in progress</p> <p>The council completed a review of its reserves policy, and this recommendation is now implemented. However, the council continues to face significant financial challenges and must identify sustainable solutions to address its projected budget gap.</p>
<p>7. Accounts Commission – members engagement</p> <p>Evidence of ongoing members engagement in strategic planning and transformation.</p>		<p>Work in progress</p> <p>This will be progressed through the governance review which is underway and will be completed in four phases. The full review is due to be completed by December 2026.</p>

Appendix 2

Summary of uncorrected misstatements

Details	Financial statements lines impacted	Comprehensive Income and Expenditure Statement (CIES)		Balance Sheet	
Uncorrected misstatements		Dr	Cr	Dr	Cr
		£000	£000	£000	£000
1. Historic creditor balances held which date back to 2001					
	Creditors			1,819	
	Service Expenditure		1,819		
2. Creditors held in a suspense code for which no appropriate audit evidence was received					
	Creditors			4,264	
	Service Expenditure		4,264		
3. Common good assets are currently held on the council balance sheet ¹					
	Property, plant and equipment				12,541
	Expenditure	12,541			
		12,541	6,083	6,083	12,541

¹ An adjustment would also be needed for the recognition of assets in the Common Good and therefore no impact on overall group position. The council estimates the potential overstatement at £9.5 million. The auditor considers the maximum potential overstatement to be £12.5 million, as it does not agree that expenditure funded from General Fund resources changes the Common Good status of the underlying assets.

Appendix 3

Supporting national and performance audit reports

Report name	Date published
Local government budgets 2025/26	22 May 2025
NHS in Scotland: Spotlight on governance	28 May 2025
Delivering for the future: Responding to the workforce challenge	7 August 2025
Flooding in communities: Moving towards flood resilience	28 August 2025
Adult Disability Payment	18 September 2025
Scotland's colleges 2025	2 October 2025
Improving care experience: Delivering The Promise	8 October 2025
Local government performance: Spotlight on culture and leisure services	23 October 2025
Financial sustainability and taxes	13 November 2025
NHS in Scotland 2025: Finance and performance	4 December 2025
Delayed discharges: A symptom of the challenges facing health and social care	8 January 2026
Community health and social care: Performance 2025	8 January 2026
Administration of Scottish income tax 2024/25	16 January 2026
Local Government in Scotland: Financial bulletin 2024/25	29 January 2026
The Scottish Budget 2026/24: Supplement to the Financial bulletin 2024/25	12 February 2026
Integration Joint Boards: Finance bulletin 2024/25	26 February 2026
Annual Assurance and Risks Report: A review of 2024/25 local government audits in Scotland	12 March 2026
Transforming the approach to climate change: Lessons from public audit	19 March 2026

North Lanarkshire Council

2025/26 Annual Audit Report



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