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Glasgow City Council

[Provisional] Annual Audit Report
Year ended 31 March 2026

[19 November 2026]

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About this report

This report has been prepared in accordance with Terms of Appointment Letter, through which the Accounts Commission has appointed us as external auditor of Glasgow City Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Management agree that they remain solely responsible for management decisions relating to the audited body and that we do not, and cannot, act in a managerial capacity nor can we make business decisions for management/the audited body in connection with the services or otherwise, nor advise or recommend that any accounting policy, treatment or reporting is suitable for any particular purpose or specific facts, and management agrees that they will not rely on us as having done so.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Accessibility

Our Report may be available on Audit Scotland's website, and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility rests with the publishing organisation to ensure that standards are met.

Executive summary

This *[provisional]* report summarises the findings of the 2025/26 annual audit of Glasgow City Council and its Group. The scope of the audit was set out in our Annual Audit Plan, which was presented to the Council's Finance, Audit and Scrutiny Committee on 17 June 2026. The report summarises:

- Our conclusions arising from the audit of the Group and Council's financial statements; and
- A summary of significant matters and conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice 2021.

Financial statements

Our assessment: Amber

We *[have concluded]* our audit of the financial statements of Glasgow City Council and its Group for the year ended 31 March 2026. We *[have issued a qualified audit opinion on the 2025/26 financial statements*] for the Council and its Group [*in respect of the comparatives and opening balances for the two City Building group entities.*]

The unaudited financial statements were published in accordance with legislative deadlines.

Supporting working papers were generally of a good quality and the finance team engaged well during the audit process. During the course of the audit, we identified *[5]* audit differences that management adjusted in the finalised financial statements. A further *[8]* unadjusted differences were identified in respect of the Council and Group financial statements, and [4] disclosure differences were identified.

Overall, we [*were satisfied*] that the Annual Governance Statement reflects the requirements of CIPFA's updated Delivering Good Governance Framework.

We made 1 new recommendation in relation to the financial statements and followed up on progress in respect of 12 recommendations from the prior year.

The key qualitative aspects that we consider in relation to the preparation of the financial statements, along with our conclusions, are set out within Exhibit 2 on page [15].

Going concern

Our assessment: *[TBD]*

In accordance with the CIPFA Code of Practice on Local Authority Accounting ('the Accounting Code'), the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council and its Group *[has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of increased demand for services, inflationary pressures, homelessness and the recurring and one-off impact of the new pay and grading structure.]*

We *[have no matters to report]* in respect of our work around going concern *[performed to date]* or the conclusions reached by the Group and Council. *[This assessment will be kept under review until conclusion of the audit.]*

Executive summary: Wider Scope responsibilities

Financial management

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

Our assessment: Green

The Council recorded a net underspend of £1.07 million in service expenditure, the first time an underspend has been reported since 2018/19 and a significant improvement on the £45.7 million overspend reported in 2024/25. This improvement was delivered following significant work as part of the 2025/26 budget process. In November 2026, the Council reported its probable outturn forecast which showed an overspend of £9.1 million for 2026/27. Recognising the continued cost pressures faced by the Council, a continued focus on both the accuracy of the budget and control of cost pressures will be required.

In prior years, we identified that there is scope to enhance the monitoring reporting of the capital investment programme to members to support better scrutiny arrangements. This remains under consideration by Members and management.

The Council's performance in respect of savings delivery reduced from achieving 96.5% of target in 2024/25 to 92% of target in 2025/26. This represented a year-on-year reduction of £9.1 million. The Council estimates that over £360 million of savings have been delivered over the past 10 years and therefore recognises that delivery of savings is becoming increasingly challenging without considering service redesign and other public service reform initiatives.

The Council's finance function continues to be required to demonstrate significant resilience above that embedded within its own formal arrangements. However, given the complex and extensive demands facing the Council, including implementation of the new pay and grading structure, increasing financial reporting complexity and the anticipated challenges in implementation of new systems, the Council needs to continue to critically reassess the sufficiency of its financial management capacity in the context of the current system limitations and internal control weaknesses, the scale of the financial challenge and change ahead and subsequent external audit and Accounts Commission findings.

Further consideration of the Council's financial planning arrangements is set out on pages [50 to 62] within financial sustainability and assessment of the control environment in respect of the financial statements is considered throughout Section 2 of this report.

Executive summary: Wider Scope responsibilities

Financial Sustainability

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

Our assessment: Red

In August 2026, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2027/28 and 2028/29. This set out a net gap of £111.3 million in 2027/28 and £84 million in 2028/29. This forecast does not reflect the one-off costs associated with the new pay and grading structure implementation as these were subject to ongoing negotiation at the time of publication. Scottish Government contributions to the homelessness cost pressures were also not known at this time. An updated financial outlook report was presented to City Administration Committee in November 2026 which outlined a combined net budget gap for 2027/28 and 2028/29 of between £136.2 million and £170.2 million, which reflects the mid and high case cost scenarios for homelessness.

The Council's financial outlook continues to be subject to significant short, medium and longer-term risks. The new Pay and Grading Scheme, including the associated backdated pay implications, together with projected homelessness levels, present particularly significant financial challenges which are unique to Glasgow. These exist alongside broader pressures experienced across local government, including uncertainty over external funding and the ability to deliver new sources of income in line with budget assumptions. The scale and combination of these pressures reinforces the importance of a robust longer-term financial strategy, demonstrating how priorities will be delivered under a range of financial scenarios.

The Council has operated without a medium-term financial plan for the duration of the current Strategic Plan, covering the period 2022-2027. Looking ahead, the Council must ensure that a robust medium-term financial plan is developed which aligns to the priorities which will be included in the new Strategic Plan.

Following approval by the City Administration Committee in August 2026, the new pay and grading structure is scheduled for phased implementation from April 2027. This is the last date where the new structure can be implemented before the Council risks further equal pay claims arising.

The financial implications of the new structure are becoming clearer. A £74.5 million provision has been recognised for estimated backdated pay relating to primary benchmarks, although the final amount remains to be determined and funding for the associated costs is not yet fully in place. Significant and complex decisions will be required as the project progresses into this critical implementation stage and one-off costs are agreed.

Executive summary: Wider Scope responsibilities

Vision, Leadership and Governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Amber

The Council has significant projects underway including R2MS, SAP replacement and pay and grading. We continue to highlight that the scale and critical nature of the projects, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project. We also highlight the critical importance of delivering pay and grading on schedule as any delays will impact delivery of the SAP replacement and result in additional financial and operational risks to the Council.

The Council concluded that reasonable assurance could be placed on the systems of internal control in the year within the Annual Governance Statement. Significant governance issues continue to be reported in the AGS including one new matter for 2025/26 (cyber incident), and three other matters previously reported (ICT Service and Security, Senior officer exit payments and City Building – Performance management).

An independent self-assessment of the Finance and Audit Scrutiny Committee was reported in June 2026, concluding that the Committee is operating effectively with no major areas of concern identified. However, four observations were noted including two in respect of enhancing scrutiny which align with our observations of the Committee.

The Council has continued to respond to the Section 102 report in respect of senior officer exit payments in an open and transparent manner. The specific actions arising from the Accounts Commission findings, the Brodies LLP report and the 2023/24 Annual Audit Report have been addressed. Work relating to organisational culture is, by its nature, longer term and remains ongoing. While revised processes and governance arrangements are in place, no comparable restructuring exercise has yet taken place through which their operation and effectiveness could be demonstrated in practice

Overall, the Council's governance and scrutiny arrangements met the core expectations established in good practice guidance throughout 2025/26.

Executive summary: Wider Scope responsibilities

Use of Resources

The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our assessment: Red

The Council has been unable to demonstrate compliance with statutory performance requirements, including the new SPI direction which came into effect from 1 April 2025 for the last four years. The Council improved the timeliness of the publication of their Annual Performance Report by publishing the 2025/26 report in September 2026. The format and content of the annual performance report however remains consistent with prior periods where we had previously highlighted that it focuses on positive developments that have been achieved since the adoption of the Strategic Plan, rather than the balanced reporting expected within Best Value guidance.

The Council updated its Strategic Plan to reflect emerging commitments and priorities in October 2024. The Operational Performance and Delivery Scrutiny Committee has approved the Council's approach to reporting performance against the Strategic Plan. The Council hoped to introduce a Performance Dashboard to support member scrutiny, but system limitations have meant that this has not been progressed. The significant number of actions identified to respond to each of the Grand Challenges makes an overall assessment of progress and outcomes difficult for both elected member scrutiny and public performance reporting.

The Council has developed a wider Performance Improvement Programme, taking into account the complexity and breadth of performance reporting requirements across the Council. The focus is on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes ongoing work with community planning partners on the Glasgow Community Planning Partnership Impact Framework and participation in the Improvement Service's National Self Evaluation Framework pilot. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 37% of indicators declined over the reporting year.

The Council's Climate Plan 2026-2030 was approved by the City Administration Committee in March 2026 following consultation and continues to set an ambitious target for the City to become a net zero carbon city by 2030. Recognising the financial challenges facing the Council, the affordability in respect of the individual actions required to deliver this need to be critically assessed.

Executive summary: Best Value

Best Value

Councils have a statutory duty to have arrangements to secure Best Value. The Council should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

The Council's Strategic Plan 2022-27 sets outs four Grand Challenges and 244 individual commitments to be actioned in the period, of which one year now remains. We continue to highlight the need to strengthen reporting on progress against the Strategic Plan priorities, providing clearer evidence of tangible outcomes against the Grand Challenges.

The Council is taking forward a wider Performance Improvement Programme, which reflects the complexity and breadth of performance reporting requirements. The focus is on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes ongoing work with community planning partners on the Glasgow Community Planning Partnership Impact Framework and participation in the Improvement Service's National Self Evaluation Framework pilot.

The Council currently does not have established longer term financial planning arrangements, but the latest high-level projections set out a combined net budget gap of between £136.2 million and £170.2 million for 2027/28 and 2028/29 based on the mid and high case scenarios for homelessness costs. The Council faces a number of significant financial challenges in the coming years including responding to homelessness pressures and implementing a new pay and grading structure. The Council's reserve levels have improved however further work will be required to ensure this is sustainable. The Council's Budget Support Fund was exhausted by 31 March 2026 and for 2026/27, the Council obtained permission from Scottish Government to vary the conditions on the use of General Capital Grant in 2025/26 to fund the estimated cost of the overspend on homelessness.

The Council recorded a net underspend of £1.07 million in service expenditure, the first time an underspend has been reported since 2018/19 and a significant improvement on the £45.7 million overspend reported in 2024/25. In November 2026, the Council reported its probable outturn forecast which showed an overspend of £9.1 million for 2026/27. Recognising the cost pressures faced by the Council, a continued focus on both the accuracy of the budget and control of cost pressures will be required.

As part of the 2025/26 audit, we identified [17] audit differences, and 24 recommendations remain open or in progress. While progress has been made with 17 prior year recommendations closed, the volume of open recommendations remains significant and the pace at which historic recommendations are addressed needs to continue to improve. While the internal audit opinion for 2025/26 is improved, significant issues continue to be disclosed in the Council's annual governance statement. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis. This is in the context of a challenging future agenda for the Council in the medium-term including the implementation of pay and grading and a new ERP system.

Overall and in line with our previous assessment, we concluded that Council's performance management and financial planning and reporting arrangements require further improvement to allow the Council to demonstrate the delivery of Best Value.



1 Introduction

Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of Glasgow City Council ('the Council' or 'the Group') for the five-year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021) ('the Code'); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This *[provisional]* Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Accounts Commission and presented to those charged with governance. This *[provisional]* report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved, and how risks facing the Council can be mitigated. We use these insights to form audit recommendations to support the Council.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations as set out in Appendix E. Our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements are based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). These were outlined in our Annual Audit Plan which was presented to the Council's Finance, Audit and Scrutiny Committee on 17 June 2026.

Our review and assessment of materiality

In our Annual Audit Plan, we communicated that our audit procedures would be performed using an overall group materiality of £32.8 million. Upon receipt of the Group and Council's unaudited financial statements, we increased the level to £33.6 million following an increase in expenditure during 2025/26 . Exhibit 1 sets out the updated levels of materiality.

Group performance materiality remains at 75% of overall materiality at £25.2 million.

Exhibit 1: Updated assessment of materiality

Planning materiality		Performance materiality	
£33.6m	Within our Annual Audit Plan, we reported our preliminary assessment that materiality would be set at £32.8 million for the Group (2024/25: £32 million) and £31.6 million for the Council (2024/25: £30 million). This has been updated based on the Group and Council's unaudited financial statements resulting in materiality of £33.6 million for the Group and £32.3 million for the Council.	£25.2m	Within our Annual Audit Plan, we reported our preliminary assessment that performance materiality would be set at £24.6 million for the Group (2024/25: £24 million) and £23.7 million for the Council (2024/25: £22.5 million). This has been updated based on the Group and Council's unaudited financial statements resulting in materiality of £25.2 million for the Group and £24.2 million for the Council.

We outlined our intention to report on misstatements that exceeded £1.6 million for the Group and £1.5 million for the Council within our Annual Audit Plan. The threshold for the Council was updated to £1.6 million based on the unaudited financial statements. There were [17] adjustments (2024/25: 17) that breached this threshold for the Council and Group. Our consideration of these adjustments is set out in Appendix F.

Specific materiality

We consider all accounts and disclosures within the financial statements individually to ensure an appropriate materiality is used. In determining their materiality, we consider both the quantitative and qualitative factors that could drive materiality for the users of the financial statements. Accordingly, we determine that it is appropriate to use lower levels of materiality for some areas of the financial statements.

- Remuneration report - given the sensitivity around the disclosure of senior employees and councillors' remuneration we applied a lower materiality threshold to our audit consideration around the remuneration report and related disclosures. This specifically considered any matter as material where it would alter the banding for a senior employee or senior councillor where a remuneration amount is disclosed.
- Related party transactions – which are considered material when they are material to either party in the transaction. We did not apply a specific materiality but considered each transaction individually.
- Sundry trusts and Common good fund – the Council and Group financial statements include specific statements in respect of the common good fund and Sundry trusts. We consider these disclosures to be more sensitive due to the nature of the funds and therefore applied a lower materiality threshold to our audit consideration of these statements. For the sundry trusts, we applied 25% of our performance materiality (£6.05 million) and common good we have applied a materiality threshold of 5% of our performance materiality (£1.21 million).

Financial Statements audit

We are responsible for conducting an audit of the Group and Council's financial statements. We provide an opinion as to:

- Whether they give a true and fair view of the state of the affairs of the Council and its Group as at 31 March 2026 and of the income and expenditure of the Council and its Group for the year then ended.
- Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code.
- Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2025/26 audit in our Annual Audit Plan. Five significant risks and key audit matters were identified, impacting the audit of the financial statements. These were:

1. The risk of fraud in revenue and expenditure recognition (fraud risk);
2. Misstatement due to fraud or error (fraud risk);
3. Valuation of property, plant and equipment, right of use assets and investment property;
4. Valuation of pension assets and liabilities; and
5. Pay and Grading Implementation.

Two risks of material misstatement impacting the audit of the financial statements were identified, relating to the existence of property, plant and equipment and to the valuation and completeness of right-of-use assets and lease liabilities.

Our findings in these areas are summarised in Section 3 of this report.

Wider Scope and Best Value audit

Under the Code, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Council, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- The Council's arrangements to secure sound financial management.
- The regard shown to financial sustainability.
- Clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery.
- The use of resources to improve outcomes.

Our Annual Audit Plan identified three areas of audit focus in relation to wider scope and best value audit:

- the Council's development of a longer-term financial strategy;
- pay and grading; and
- ICT governance.

Our annual assessment of the Council's arrangements to secure best value is integrated within our wider scope annual audit work. As part of our responsibilities under the Code, we prepare a separate report on annual thematic topics prescribed by the Accounts Commission. For 2025/26, the Accounts Commission directed auditors to report on the Council's arrangements in respect of asset management.

The Council was subject to a Controller of Audit Best Value report in August 2026 which will be considered by full Council in December 2026. Where appropriate, this Annual Audit Report follows up on findings from that report.

Our wider scope and Best Value findings are summarised in Section 4 of this report.



2 Financial Statements

Introduction

The annual financial statements allow the Council and its Group to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our *[provisional]* report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

Compliance with regulations

As part of our oversight of the Group and Council's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The unaudited financial statements were submitted for audit by 30 June 2026, in line with requirements.

Financial statement timetable and working papers

In line with a number of local authorities across the United Kingdom, the Council has been working outside of a 'standard' local government financial statements preparation and audit timeline since 2020. Since our appointment, we have worked with the Council on a multi-year plan to return to a 'standard' local government timetable and while each year we have noted improvements, specific matters have arisen which have resulted in delays to planned completion.

The Group and Council financial statements audit for 2024/25 concluded in March 2026, six months after the statutory deadline of 30 September. The delays for 2024/25 have had an impact on the 2025/26 audit timeline *[however the current timetable shows a significant improvement with the financial statements due to be signed in the same calendar year as the year end date for the first time since 2019.]*

Despite the challenges that the current timetable brings, the finance team continue to work closely with the audit team regarding the provision of working papers and responses to audit requests. Through this process, we continue to note improvements in the timeliness and quality of responses to audit requests.

However, limitations in the quality of information remained, primarily linked to ongoing challenges with the existing finance system due for replacement. The provision of audit requests is also impacted when other competing pressures on council officer's time supporting the audit arise. This reiterates the importance of progressing back to a standard timeline for audit completion.

Looking ahead to 2026/27, the planned timetable for completion shows an intention to return to the statutory deadline of 30 September. We recognise that there are significant matters which may impact the Council's ability to support an audit which moves back to a 'standard' timetable, including:

- the implementation of the new pay and grading structure; and
- the implementation of the new finance system.

An update on the planned timetable for the 2026/27 audit is included within Appendix D. We have highlighted through this report, areas which require improvement in respect of timeliness and quality of initial responses to audit requests and will need to be addressed to support a return to the statutory deadline.

Audit status

[Our audit work is substantially complete. We have set out below the most material areas of ongoing work where information is outstanding:

- *review of updated financial statements, including checks and consideration of responses from management on most recent audit comments;*
- *receipt and consideration of responses to standard audit inquiry letters;*
- *completion of component auditor file review in respect of SEC and City Building entities;*
- *review and ongoing assessment of the pay and grading provision and associated disclosures;*
- *ongoing finalisation of our internal quality assurance procedures ongoing up to the date of signing; and*
- *post balance sheet event procedures which must be considered up to the date of approval of the financial statements.]*

Our assessment of the quality of the financial statements preparation and support is summarised in Exhibit 2.

Exhibit 2: Factors impacting the execution of the audit

Area	Status	Explanation
Timeliness of the unaudited financial statements	Effective	• The unaudited financial statements were shared with audit on 30 June 2026 and presented to the Finance and Audit Scrutiny Committee on 19 August 2026.
Quality and completeness of the draft financial statements	Effective	• Our review of the financial statements identified minor presentational and disclosure changes and minimal internal inconsistencies.
Delivery of working papers in accordance with agreed client assistance schedule	Effective	• The working papers to support the audit were due by 30 June 2026. Initial workings papers were provided to audit over the course of June and July with some in advance of the deadline and others later. Improvements were noted in the number of working papers provided by the 30 June 2026.
Timeliness and quality of evidence supporting key accounting estimates	Area for continuing improvement	• We continue to note an overall improvement in the timeliness and quality of evidence provided supporting key estimates including pension asset and liabilities as well as valuations for property, plant and equipment. • In respect of asset valuations, in the prior year, the audit team noted a significant number of material movements in valuations that we believe should have been challenged and understood by management before being passed for audit. During 2025/26, we noted that this exercise was performed and adjustments made before valuations were passed to the audit team. Refer to page [28] for further consideration. • The unaudited financial statements included a misstatement of £99.1 million in respect of indexation of property, plant and equipment which was identified by officers just before publication of the financial statements. The Council published the unaudited financial statements on the basis that they did not determine it to be material, taking into account the overall impact on the financial statements and how it would be assessed by a user of the financial statements, but have corrected for the audited version of the financial statements.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Area for continuing improvement	• The finance team made themselves available for audit and provided strong levels of support throughout. • While overall improvements were noted in delivery of working papers and responses to audit queries, some specific areas continue to be delayed and slower to conclude, specifically grants, payroll and group. In order to return to the September deadline, this deadline will be required to be achieved in full, and we will continue to work with the finance team to support this process. • The delayed and elongated timetable results in the audit taking place during periods where capacity within the finance team is limited to support audit due to business-as-usual activities, such as budget monitoring or budget preparation. We also recognise the impact that the pay and grading project as well as new finance system implementation has on teams supporting the audit. This impacts on the length of time to respond to audit queries.
Volume and value of identified misstatements	Area for continuing improvement	• We identified [5] adjusted differences and [8] unadjusted differences arising from the audit in relation to the financial statements.
Volume of misstatements in disclosure	Effective	• We identified [4] disclosure adjustments recorded in Appendix F.
Adherence to public inspection period	Effective	• We were satisfied that the Council made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.
Pace of progress in respect of implementation of recommendations agreed in prior years	Area for continuing improvement	• A total of 34 recommendations were followed up from prior years, with 17 (50%) remaining open, including 11 high risk recommendations. Management should continue to ensure that sufficient focus is given to implementing audit recommendations on a timely basis. Where audit recommendations are not implemented on a timely basis this impacts the level of risk the Council is carrying.

Audit Outcomes

We identified [17] adjustments arising from the audit, where [5] adjustments were adjusted by management and [8] being unadjusted audit differences. In addition to this, there are [4] disclosure and other differences. Further detail for all disclosures can be found at Appendix F.

Exhibit 3 highlights the status of audit recommendations including the review of the implementation of prior year recommendations, together with new recommendations arising in 2025/26. There remains 24 recommendations to be addressed including 10 relating to the 2022/23 audit, 3 relating to the 2023/24 audit and 4 relating to the 2024/25 audit.

The complexity and scale of the Council means that some recommendations relate to matters that may take multiple reporting periods to address. We also recognise that the current environment in which the Council operates is rapidly changing taking into account matters both at the Council, such as upcoming elections, system changes and pay and grading implementation as well as those external to the Council, such as public service reform and the Scottish Government's Programme for Government. Management needs to continue to ensure that appropriate focus is given to the implementation of recommendations to ensure they are addressed in a timely manner despite the challenging operating environment.

Exhibit 3: Audit recommendation status

Scope	Grade 1	Grade 2	Grade 3	Total
Open recommendations as at March 2026	19	14	1	34
Completed recommendations	(8)	(8)	(1)	(17)
New recommendations	2	5	0	7
Total open recommendations	**13**	**11**	**0**	**24**

Remuneration report

In line with the requirements of the Code and regulations, the Council must produce a remuneration report which includes disclosures in respect of both senior employees for the Group and Council as well as senior councillors. As noted within our Annual Audit Plan, we apply a lower materiality to the audited sections of the remuneration report.

The production of the remuneration report requires collation of a significant volume of information from a range of sources including the Council's subsidiary entities and the Strathclyde Pension Fund.

Our procedures in respect of the remuneration report *[identified a number of disclosure adjustments which have been updated in the finalised financial statements*.] We have no other matters to report.

Common Good Assets

In May 2023, the Local Authority Accounting Scotland Accounts Advisory Committee (LASAAC) issued updated guidance on accounting for Common Good Assets. LASAAC note that there is a requirement to maintain asset registers for all Common Good Assets under the Community Empowerment Act 2015.

The Council maintains a Common Good Asset register on their website in line the legislative requirements however to date only 14 core assets are identified with 8 investment assets also noted.

An ongoing exercise is underway to review title deeds to ensure the Common Good Asset register is materially complete. Significant work is still underway in this area with limited additions to the register identified to date.

In 2024/25, we highlighted that while regular updates on the Common Good fund financial performance are reported to the Finance and Audit Scrutiny Committee, updates on the steps taken by the Council to comply with the Community Empowerment Act requirements have not been provided. In March 2026, the Common Good Fund Budget 2026/27 report was presented to the Finance and Audit Scrutiny Committee and included greater detail including a new section confirming that the Council's policies remain aligned to the latest guidance.

The Common Good Fund disclosed within the financial statements does not include all assets identified as being Common Good. This is in line with the Council's Common Good Fund policy whereby the Council continues to use and account for Common Good assets in an operational capacity. All income and expenditure associated with these assets is recognised within the Council's financial statements and only if a surplus is made in respect of these assets is a transfer made to the Common Good Fund. This approach was considered by the Finance and Audit Scrutiny Committee in March 2026. The report noted that the Council had performed an assessment against the 2023 revised guidance and were satisfied that the policy was in line with the guidance and required no amendments.

Group audit

The Council prepares its financial statements on a group basis. We considered the arrangements in respect of each of the Council's group undertakings throughout the audit and determine an appropriate group scope. We have set out the definitions for each scope type as well as the specific assigned scopes for each component within Appendix I.

The only individually relevant component is the Council, which accounts for approximately 93% of the consolidated gross expenditure.

In respect of the two City Building entities, through discussions with management, we agreed to include the two City Building entities within the scope of the group audit for the first time during our appointment. In previous years, these entities were not scoped into the group audit, contributing to a modified audit opinion on the group financial statements. Our approach for 2025/26 included issuing group instructions to the component auditors. Following several years of modified opinions, it will take multiple years to return to an unmodified opinion. This is due to the impact of the prior year modified audit opinion on comparatives and opening balances in respect of these entities and therefore, we *[intend to issue]* a modified opinion.

Fourteen components were identified as specific scope due to specific material balances. The Glasgow City Integration Joint Board (IJB) is identified as a joint venture and consolidated in accordance with the requirements of the Accounting Code. EY is the appointed auditor of Glasgow City Integration Joint Board and we have reported separately on the audit.

The allocation of scope means that the following coverage is obtained as set out in Exhibit 4 below.

Exhibit 4: Group Scope coverage per 2025/26 unaudited group financial statements

Scope assigned	Expenditure on provision of services (percentage coverage)	Total assets (percentage coverage)
Full scope (audited by EY)	93.9%	82.3%
Specific scope	5.9%	17.1%
Other scope	0.2%	0.5%
Total	100%	100%

Source: Glasgow City Council financial statements

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of component teams.

The group audit team's involvement in the work of the component teams is not uniform. The involvement is affected by the assessed risks of material misstatement, their effect on different entities, the nature and extent of work and scope assigned to component teams and the group audit team's experience and understanding of the component teams.

The group audit team's involvement takes different forms and has included:

- Risk assessment discussions with component teams;
- Regular progress discussions with component teams;
- Review of component team workpapers; and
- Review of responses to group audit instructions.

Group audit findings

Our procedures in respect of the Group are [complete]. Our opinion in respect of the Group is qualified in respect of the two City Building entities as set out on page [19].

Our work in respect of the Group identified the following matters:

- In respect of City Building (Contracts) LLP ('CBC'), we identified a £47 million misstatement in respect of capital expenditure on Council projects recorded in the CIES which should have been eliminated upon consolidation. This resulted in an overstatement of CBC expenditure and an understatement of Council expenditure in the Group CIES.
- A misstatement was identified in respect of intangible assets of £18.9 million in City Property Glasgow (Operations SL1) LLP and City Property Glasgow (Operations SL2) LLP. The intangible asset related to both the initial capitalisation of borrowing costs associated with the borrowing taken out in 2019/20 and the capitalisation of ongoing remeasurement costs associated with an index-linked borrowing.
- Misstatements in disclosure arising from the different accounting treatments in respect of the LGPS between the subsidiary and associate statutory financial statements and the Group financial statements were identified.

Further details of these adjustments are included in Appendix F.

Audit approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence to express an opinion on the Group and Council financial statements.
- Reading other information contained in the financial statements to form an assessment, including that the annual report is fair, balanced and understandable.
- Ensuring that reporting to the Finance and Audit Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- We rigorously maintain auditor independence (refer to Appendix B).

Our overall audit opinion is summarised on the following page.

Key audit matters

Under the Code, key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. Our key audit matters are set out on pages [22 to 36.]

Exhibit 5: Our Audit Opinion

Element of our opinion	Basis of our opinion	Conclusions
Financial statements • Truth and fairness of the state of affairs of the Council and its Group at 31 March 2026 and its expenditure and income for the year then ended. • Financial statements in accordance with the relevant financial reporting framework and relevant legislation.	• We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement. • We are satisfied that accounting policies are appropriate, and estimates are reasonable. • We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.	We *[intend to issue a qualified audit*] opinion on the 2025/26 financial statements for the Council and its Group.
Going concern • We are required to conclude on the appropriateness of the use of the going concern basis of accounting.	• We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis. • Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.	In accordance with the work reported on page [40], we *[have not identified any material uncertainties.]*
Other information • We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.	• The Executive Director of Financial Services is responsible for other information included in the financial statements. • We conduct a range of substantive procedures on the financial statements, and our conclusion draws upon review of committee and Council minutes and papers, regular discussions with management, our understanding of the Council and its Group and the wider sector.	We *[are satisfied]* that the other information meets the core requirements set out in the Code of Practice on Local Authority Accounting *[except for the matter in respect of the City Building entities.]*
Matters prescribed by the Accounts Commission • Audited part of remuneration report has been properly prepared. • Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.	• Our procedures include: • Reviewing the content of narrative disclosures to information known to us. • Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.	*[We have no matters to report other than the matter raised in respect of the City Building entities.]*
Matters on which we are required to report by exception	• We are required to report on whether: • Adequate accounting records have been kept. • Financial statements and the audited part of the remuneration report are not in agreement with the accounting records. • We have not received the information or explanations we require.	*[We have no matters to report.]*

Our response to significant and fraud audit risks

1. Risk of Fraud in revenue and expenditure recognition (Key audit matter)

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

We consider there to be a specific risk around income and expenditure recognition through:

- incorrect income and expenditure cut-off recognition to alter the Group and Council's financial position around the financial year end; and
- incorrect recognition applied to grant income with performance conditions.

This risk therefore impacts the following balances within the financial statements:

- Other grants and capital grants: £0.57 billion (Group: £0.57 billion);
- Other expenditure: £2.5 billion (Group: £2.6 billion);
- Related creditor balances: £0.38 billion (Group: £0.48 billion); and

Refer to accounting policies within Note 1, pages 22-35 and notes 5, 9, 13, 23 and 25 of the Council's financial statements and accounting polices within note 1 of the Group financial statements, pages 93-94 and notes 10, 17 and 21.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account.

Accordingly, we rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in the respect of Council tax, non-domestic rate income and other income. We had previously included other income as a risk but have refined our approach for 2025/26 to recognise the material risk around income recognition is addressed through management override procedures. With regards to expenditure, we rebutted the risk of improper recognition of payroll, depreciation and financing and investment expenditure.

We consider this risk to be relevant to the Group and Council as a single entity.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2025/26 our work included:

- inquiring with management and those charged with governance about risks of fraud and the controls put in place to address those risks;
- reviewing and challenging management on any accounting estimates in respect of income and expenditure recognition for evidence of bias;
- reviewing and testing expenditure cut-off at the period end date to a lower materiality;

- conducting extended substantive testing over grant income to ensure it satisfies recognition criteria; and
- assessing and challenging manual adjustments / journal entries around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.

Our findings – significant risk areas

- **Grant income** - Our grant income procedures did not identify any material audit adjustments. However, as in the prior year, significant delays arose due to supporting grant documentation not being readily available. In our view, there is scope for the Council to implement a consistent process for managing grant records, ensuring that evidence demonstrating compliance with grant conditions is retained in a standard format, location and can be provided promptly for financial statement and grant audit purposes. The Council has considered this and determined that it would not be practical or required. However, following an internal audit recommendation, Corporate Finance have agreed to make changes to the coding structures within the general ledger to assist.
- **Long-term debtors** – Consistent with prior years, we note a judgmental audit difference of £3.5 million in respect of a long-term lease debtor which we do not consider should be recognised.
- **Group revenue and expenditure** – As noted on page [19], an adjustment was identified in respect of expenditure for City Building (Contracts) LLP. The current year group financial statements have been updated to reflect this difference. The impact of this adjustment is recorded in Appendix F.

Our findings - Non-significant risk areas

- **Council Tax Income** – We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder systems.
- **Non-Domestic Rates** – We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system.
- **Non-ringfenced grant income** – We substantively tested these balances to grant confirmation letters from third parties.
- **Depreciation, amortisation & impairment:**
  - We tested these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.
  - We continue to identify audit differences in respect of accounting for depreciation arising from limitations in the Council's fixed asset system. The Council adopts a policy of not charging for depreciation or amortisation in the year of an asset's purchase. In accordance with the accounting Code, depreciation should be charged over an asset's useful life, starting from when the asset is available for use. This resulted in an estimated overstatement of depreciation of £2.2 million.

- The Council adopts a useful life for property, plant and equipment when an asset is capitalised and due to system limitations, it is not possible to easily amend the assigned useful life. We noted a judgmental difference of £3.9 million due to this, where the useful life in the fixed asset register is different from that in the latest valuation.
- For both matters above, management is seeking to address these as part of the new finance system implementation as set out in recommendation 31 in Appendix E.

- **Pension costs:** We have outlined our consideration of the valuation of pension assets and liabilities held by the Group and Council on page [30]. In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS 19 report prepared by the Group and Council's actuary. In respect of the Group, we identified inconsistencies between the underlying IAS 19 reports, pensions disclosures and balances accounted for with identified differences set out in Appendix F.
- **Employee expenses:** We established expectations of payroll costs in the year based on staff numbers and salary movements and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions. Significant delays were encountered in receipt of supporting information to enable us to complete our work on employee expenses and related accruals. While we recognise that there are multiple demands on this area which will continue throughout 2026/27 and beyond, it's important that officers work with the audit team to ensure information can be delivered in a timely and efficient manner. This is particularly important when looking ahead to the return to a September deadline for the 2026/27 financial statements.

Our conclusions:

- Our testing has resulted in 6 misstatements relating to revenue and expenditure recognition. A further 1 misstatement impacting the Group were identified.
- [*There was no disagreement]* during the course of the audit over the correct accounting treatment or disclosure and we encountered no significant difficulties in the audit.

2. Risk of misstatement due to fraud or error (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement, including undertaking the following procedures:

- **Risk of fraud:** We considered the risk of fraud, including through our enquiries with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes in relation to fraud.
- **Testing on journal entries:** We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular, we considered:
    - Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have been manipulated.
    - Journals transferring funds between useable reserves and restricted or separated accounts.
    - Journals adjusting between income and expenditure accounts and capital accounts.

We have not identified any indicators of unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

As in prior years, journals continue to be posted without any evidence of secondary review or authorisation before posting due to system limitations. There is a mitigating control for journals over £50,000 as these are reviewed as part of period end procedures. We outline on page [66] the future changes to financial and other related systems the Council will undertake. The new finance system should have fully integrated control functions to ensure segregation of duties, specifically approval of journals posted by management by a separate individual.

- **Judgements and estimates:** Under ISA (UK) 540, risk factors relevant to the public sector included the following examples for consideration by auditors:
    - a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, including the valuation of local government pension assets and liabilities, considered on page *[30]* of this report; and
    - areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page *[27]* of this report).

  Our procedures included:

  - testing management's process method, key assumptions, data;
  - testing management's process- estimation uncertainty;
  - considering evidence from events up to the report date; and
  - developing our own point estimate of the appropriate valuation.
- **Accounting policies:** We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council and Group to be appropriate and there were no significant accounting practices which materially depart from what is acceptable under the Code.

Our conclusions:

- We have not identified any material weaknesses in the design and implementation of controls around journal processing. However, in line with prior years, we continue to note areas for improvement through more robust journal review and approval procedures which officers intend to address through implementation of the new finance system. We *[have not]* identified any instances of evidence of management override of controls.
- There *[have been no]* disagreements during the course of the audit over any accounting treatment or disclosure and we have encountered no significant difficulties in the audit *[to date.]*

3. Valuation of Property, Plant and Equipment and investment property (Key audit matter)

What is the risk?

The fair value of property, plant and equipment (PPE) and investment property represent significant balances in the Group and Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate year-end balances.

The Council Group engages valuers within City Property (Glasgow) Limited Liability Partnership to value the Group and Council's estate in line with their asset valuation programme.

The Council is required to apply, for the first time, the new requirements in respect of asset valuations as required by the CIPFA Code of Practice on Local Authority Accounting 2025/26. The CIPFA Bulletin 22 provides guidance surrounding the mandated quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. This change places particular focus on the appropriateness of the indices applied by the Council.

The first year of implementation presents an increased risk of error in the application of indices, particularly considering limitations within existing finance systems used by the Council. Successful implementation will therefore depend on the Council adapting its rolling programme in line with the guidance and ensuring that appropriate indices are selected and applied in intervening years.

This risk impacts the following balances within the financial statements:

- Council Group PPE £4.5 billion (2024/25: £4.3 billion) with £3.4 billion (2024/25: £3.2 billion) relating to land and buildings.
- Council Group investment property: £225 million (2024/25: £226 million).

Refer to accounting policies in Note 1 pages 22-35 and note 18 and 19 of the Council financial statements.

Refer to accounting policies in Note 1 pages 93-94 and note 14 and 15 of the Group Financial Statements.

We consider this risk to be relevant to the Group and the Council as a single entity.

What did we do?

For 2025/26 our work included:

- obtaining and evaluating management's assessment and planned approach to implementing updated indexation guidance;
- assessing management's key judgements in relation to indexation;
- test the accuracy of indexation calculations and their application to the asset population;

- reviewing and appraising the work performed by the Group and Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- involving EY internal specialists to challenge the work performed by the Council's valuers, where appropriate;
- assessing management's approach to the valuation of right of use assets and consider whether it complies with Code requirements;
- assessing any changes to useful economic lives;
- testing accounting entries have been correctly processed in the financial statements; and
- ensuring investment property is correctly classified within the Group financial statements and appropriately valued.

Our findings – Property, plant and equipment

Our audit procedures noted a number of observations and misstatements as follows:

- The unaudited financial statements included an error of £99.1 million in respect of indexation of property, plant and equipment which was identified by officers just prior to publication of the financial statements. The Council published the unaudited financial statements on the basis that they did not determine it to be material, taking into account the overall impact on the financial statements and how it would be assessed by a user of the financial statements, but would correct for the audited version of the financial statements. In line with Code requirements, the Council had calculated the indexation impact on the asset current book values however due to a system limitation, the journal entries could only be calculated on a gross book value basis.
- In the prior year, we noted that the finance team had not performed or evidenced their own review of the valuations and particularly the material movements. We recommended that a review of asset valuations and year on year movements above an established threshold is performed to ensure management understand the reason for valuation fluctuations before these are passed to audit. We confirmed that this exercise had been performed in 2025/26. It importantly supported the identification of a misstatement that was corrected before valuations were passed for audit.
- In line with prior year, we identified 2 errors in respect of accounting for depreciation as set out in more detail on pages *[23 and 24]*.
- We identified £23.1 million of assets under construction which were operational during 2025/26 and therefore should have been classified as operational. This has been adjusted for in the financial statements. The Council should ensure that processes are reviewed in respect of assets under constructions to ensure that assets which have become operational are identified and reclassified in a timely manner.

- One misstatement was identified in respect of the Burrell collection where an incorrect rate had been used in the valuation calculation which was inconsistent with the rate used for other museums. This resulted in an understatement of £17.9 million. We recommend that the Council's valuers, City Property, ensure that an additional quality review is performed of similar asset types to ensure similar inconsistencies and errors can be readily identified in future, refer to recommendation 40, Appendix E.

Our findings – Investment property

In 2025/26 the Group held £225 million (2024/25: £226 million) in respect of investment property. The investment property of the Group is comprised of over 400 properties throughout Glasgow to generate rental income and capital appreciation. To gain assurance over this balance, we performed reviews of component auditor's files *[and performed our own additional testing procedures.]* [*We are satisfied]* that the investment property is classified and valued materially correctly within the Group financial statements.

Our conclusions:

- We have identified [1] misstatement in the current year in respect of the valuation of property, plant and equipment in Appendix F. A further material adjustment was identified by management in respect of indexation.
- We identified 1 classification adjustment in respect of assets under construction.
- We raised [1] new recommendations in respect of asset valuations and closed 1 prior year recommendation.
- [*There was no disagreement]* during the course of the audit over any accounting treatment in respect of valuations of property, plant and equipment and investment property.

4. Valuation of Pension assets and liabilities (Key audit matter)

What is the risk?

The Group and Council's net pension asset, measured as the sum of the long-term payments due to members as they retire against the Group and Council's share of the Strathclyde Pension Fund investments, is a material balance in the Group and Council financial statements which requires significant estimation and judgement.

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Group and Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

The latest triennial valuation of Strathclyde Pension Fund was published in March 2024 and the scheme remains in a surplus position. CIPFA previously provided guidance (Bulletin 15) on recognising a net defined benefit asset in accordance with IFRC 14 when the pension fund reports a surplus. Where an asset ceiling is applied, the bulletin highlights requirements in the accounting code which require disclosure of the following:

- an explanation as to why the pension surplus reported under IAS 19 is not fully realisable and what 'realisable' means in this context; and
- the basis used to determine the amount of the economic benefit available.

Membership of the pension fund includes admitted and scheduled bodies. The Council is a scheduled body whereas the Council's subsidiary companies and joint venture companies, who are members of the scheme, are admitted bodies. The nature of membership influences the rules under which each entity participates in the scheme and can therefore change the basis for which a pension asset can be recognised, adding an additional complexity to Group pension accounting arrangements.

The impacted balances within the financial statements are:

- At 31 March 2026 the pension asset recognised by the Council was nil and the Group: £315 million (2024/25: Council nil and Group £273 million).
- Unfunded pension liability totalling £228 million as at 31 March 2026 for the Council and £234 million for the Group (2024/25: Council £235 million and Group £240 million).

Refer to accounting policies in Note 1 pages 23-35 and note 12 of the Council's financial statements and Group accounting policies in Note 1 pages 93-94 and note 11 of the Group financial statements.

With the exception of Strathclyde Partnership for Transport, which is classified as a scheduled body, the remaining group entities are admitted bodies of the Strathclyde Pension Fund. Consequently, in accounting for the group pension position, appropriate consolidation adjustments are required to recognise the pension asset attributable to admitted body subsidiaries within the group financial statements.

There also remains a risk that, upon crystallisation of the pay and grading outcome, the valuation of pension assets and liabilities may be impacted, as changes to pay structures and any backdated pay could affect pensionable pay assumptions and the measurement of the defined benefit obligation.

We consider this risk to be relevant to the Group and the Council as a single entity.

What did we do?

For 2025/26 our work included:

- liaising with the auditor (EY) of Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary and confirmed joint assurances in respect of employer and employee contributions.
- engaging our actuarial specialists to assess the work of the actuary (Hymans Robertson).
- assessing the work of PWC, appointed to consider actuarial assumptions used at the year-end for all local government sector bodies.
- reviewing and testing the accounting entries and disclosures made within the Group and Council's financial statements in relation to IAS 19.
- requiring IAS19 reports which reflect actual rather than estimated asset returns to ensure that there have been no material movement in the value of pension fund assets.
- considering the valuation and disclosure of unfunded liabilities, for which there are no plan assets to meet the pension liabilities.
- requesting that the Council obtains an asset ceiling report from its actuaries. Our actuarial specialists reviewed the asset ceiling report to satisfy themselves that it is materially correct.
- reviewing the IAS 19 reports and asset ceiling reports for material group entities and in conjunction with component auditor instructions, ensure that pension assets and liabilities are appropriately recorded within the Group financial statements.
- evaluating management's assessment of the impact of the pay and grading project on pensionable pay and, where the impact has crystallised, assess whether this has been appropriately reflected in the IAS 19 valuation of pension assets and liabilities, including any backdated pay.

Our findings

Strathclyde Pension Fund audit

The Strathclyde Pension Fund auditor identified 2 audit adjustments through their procedures, which both impacted the assets of the Fund and had a net understatement of £29.1 million relating to Pension Fund assets. Due to the Council's share of these assets representing 18.5% of the Fund, we identified an audit disclosure difference of £5.4 million.

The IAS 19 valuation performed by the actuary was reviewed by EY internal specialists and has not identified any misstatements. We are satisfied with the accounting entries and disclosures within the financial statements to reflect the information set out in the IAS 19 valuation report.

Asset ceiling

Accounting standards place a limit on the amount of pension surplus that can be included as an asset on an organisation's balance sheet. A council cannot show an asset on its balance sheet relating to a defined benefit pension scheme which exceeds the economic value it is likely to derive from the pension scheme.

The amount that can be included as an asset is therefore restricted to the surplus which can be returned to the Council by way of refunds or reductions in future contributions. This restriction is known as the "asset ceiling".

As part of our audit procedures, our actuarial specialists reviewed the asset ceiling report provided by the actuaries and were satisfied that it was materially correct.

Unfunded liabilities

The IAS 19 actuarial valuation reported that the Council has unfunded pension obligations at 31 March 2026 totalling £228 million (Group: £234 million). These have been recognised separately on the balance sheet as an obligation on the basis that there are no plan assets to meet the pension liabilities. Our actuarial specialists reviewed the unfunded liability and were satisfied that it was materially correct.

Group pension asset recognition

The Group has a number of entities who also participate in the LGPS. Within the unaudited group financial statements, a £315 million net pension asset balance was recognised.

In respect of the group entities, with the exception of Strathclyde Partnership for Transport who are a scheduled body, the other group entities are all admitted bodies of Strathclyde Pension Fund. We have not identified any errors in relation to the accounting for the group pension asset with the Council preparing the appropriate consolidation adjustments to recognise the pension asset for admitted body subsidiaries.

We did identify misstatements in disclosure arising from the different accounting treatments between the subsidiary and associate statutory accounts and the Group financial statements, refer to Appendix F for further details.

Impact of Pay and Grading structure on pension valuation

As noted on page [35], the Council recognised a provision for backdated pay associated with implementation of the new Pay and Grading structure of £74.75 million with £4.1 million related to estimated additional pension contributions to the LGPS. *[Due to the level of this estimated additional contribution, we concluded that it would not materially impact the pension valuation.]*

One of the principal assumptions used to measure the LGPS obligations is the salary increase rate. At the time of initial production of the IAS 19 valuation for the Council and its subsidiaries, information was not available regarding the outcome of the new Pay and Grading Structure. Following approval of the new Pay and Grading Structure by City Administration Committee in August 2026, we requested that this information was shared with the actuaries to assess whether this would materially change the assumption in respect of the salary increase rate and future pensionable salaries. *[Due to full data not being available at an individual employee level, it was only possible to produce a high-level estimate on the impact for both the Council and impacted subsidiaries. The estimated impact for the Council was an increase in liabilities of £80.3 million (representing approximately 2% of total funded obligations). Due to the Council's share of the LGPS being in surplus with an asset ceiling adjustment applied, the recognition of additional liabilities would be a disclosure only adjustment. We concur with management's assessment that it would not be material, taking account of the relative percentage of the adjustment compared to the overall liability value. The Council has included enhanced disclosures setting out the potential impact on the valuation and estimation uncertainty.*

In respect of the Group, the impact was an estimated increase in liabilities of £7.7 million. As the Group entities do recognise a pension asset, any increase in the pension liabilities would result in a reduction to the pension asset recorded on the Group balance sheet. This has been recorded as an unadjusted judgemental difference within Appendix F.]

Our conclusions:

- We engaged specialists to support our work on the reasonableness of the underlying assumptions used by the Group and Council's actuary.
- We undertook procedures to ensure that the information supplied to the actuary in relation to the Group and Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- We considered the findings of the appointed auditor of the Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Group and Council, in relation to the valuation of the Pension Fund assets at 31 March 2026 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.
- The Strathclyde Pension Fund audit identified a net understatement of £29.1 million relating to Pension Fund assets. Due to the Council's share of these assets representing 18.5% of the Fund, we identified an audit disclosure difference of £5.4 million.
- *[The impact of the new Pay and Grading structure on the valuation of the LGPS was evaluated and additional disclosures included within the financial statements setting out the estimation uncertainty.]*

5. Pay and grading implementation (Key audit matter)

What is the risk?

The Council has formed a pay and grading structure project (the PGS project) to implement the new pay and grading structure.

The implementation of the new pay and grading structure was subject to previous delays however a revised, phased implementation date of April 2027 has now been agreed.

The revised pay and grading project timetable and progress in respect of pay modelling increase the likelihood that a quantifiable financial impact will crystallise during 2026 and this will need to be reflected within the 2025/26 financial statements. While the financial impact has not yet been fully determined, developments during 2026 may result in additional liabilities being identified that require recognition within the financial statements.

The Council anticipates an appropriate level of backdated pay for the period between October 2023 and implementation, with the potential accounting impact dependent on the outcome of pay modelling, job evaluation and negotiations with trade unions. As certainty over the financial implications increases, judgement will be required in determining when the impact can be reliably measured and therefore when a provision should be recognised and whether related disclosures are complete and appropriate. Further judgement will be required in determining an appropriate valuation of the related liabilities if one-off costs associated with the new PGS have not been agreed.

The impacted balances within the financial statements are:

- At 31 March 2026, the provision recognised by the Group and Council was £74.5 million (2024/25: Council and Group nil).

Refer to accounting policies in Note 1 pages 23-35 and note 26 of the Council's financial statements and Group accounting policies in Note 1 pages 93-94 of the Group financial statements.

We consider this risk to be relevant to the Group and the Council as a single entity.

What judgements are we focused on

The key judgement that affects the financial statements in respect of pay and grading is when the liability becomes measurable and therefore, a provision can be recognised within the financial statements.

What did we do?

For 2025/26 our work included:

- evaluating management's assessment of the accounting implications of the pay and grading project;
- assessing the completeness and appropriateness of financial statement disclosures;
- reviewing supporting evidence underlying management's assessment; and
- considering events occurring up to the date of signing of the financial statements.

Our findings

The unaudited financial statements included no provision for the impact of the new pay and grading structure however over the course of summer 2026, additional information became available which triggered a reassessment of this position. In October 2026, management determined that a provision of £74.75 million should be recognised in the 2025/26 financial statements. This follows the City Administration Committee's approval of the new Pay and Grading Structure in August 2026 and the trade unions' agreement to put the structure to a ballot of their members. The provision reflects the estimated backdated pay for primary benchmark staff for the period from October 2023 to March 2026.

Due to the work ongoing in respect of secondary and unique roles, no allowance has been made for these individuals as there is insufficient information available to make a reliable estimate in respect of the financial implications of the implementation of the new pay and grading structure for these groups.

[At the time of writing, we are awaiting financial statement disclosures in respect of the new pay and grading structure which will require detailed consideration.

The ongoing nature of pay and grading negotiations means that this assessment will remain under consideration until the date of signing of the financial statements.]

Further detail on governance arrangements and impact on future financial plans in respect of pay and grading is included within our wider scope work on page [58].

Our conclusions:

- *[We concur with management's assessment that there is now sufficient information available to recognise a provision in the financial statements in respect of backdated pay for the primary benchmarks.*
- *We identified no differences in recalculation of the provision recognised within the financial statements.*
- *In respect of the unique and secondary benchmark roles, [at the time of writing,] we concur with management's assessment that there is insufficient information available to make a reliable estimate in respect of the financial implications of the implementation of the new pay and grading structure for these groups.*
- *There was no disagreement during the course of the audit over any accounting treatment in respect of pay and grading implementation.]*

Our response to risks of material misstatement

1. Existence of property, plant and equipment

What is the risk?

Infrastructure assets

The Council held material infrastructure assets as at 31 March 2026 of £877.6 million.

In 2021/22, local government auditors raised concerns that Accounting Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets. Further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date.

The statutory override for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government initially extended the statutory override to 31 March 2025 and has now extended this again until 31 March 2027. The extension continues to carry an expectation that Council's will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.

Vehicles, plant, furniture and equipment

The Council holds vehicles, plant, furniture and equipment as at 31 March 2026 with a gross book value of £179.8 million and a net book value of £64.4 million. These types of assets by nature are moveable and individual assets are often lower value. Challenges were encountered in prior years in obtaining sufficient detail from the fixed asset register and underlying records to identify individual assets which could be verified. Further challenges were encountered with some records for IT related assets being held by the Council's IT provider. Due to difficulties encountered in obtaining sufficient evidence to support the ongoing existence of equipment, a judgemental impairment different of £3.4 million was identified in 2024/25.

We consider this risk to be relevant to the Group and the Council as a single entity.

What did we do?

Our procedures included:

- testing a sample of infrastructure assets in the asset register to determine their existence as at 31 March 2026;
- reviewing the depreciation policy for infrastructure assets and ensure it remains appropriate and in line with CIPFA guidance;
- assessing whether infrastructure asset additions for 2025/26 were recorded in sufficient detail to enable verification of the underlying physical asset;
- testing a sample of vehicles, plant, furniture and equipment in the asset register to determine their existence as at 31 March 2026;
- reviewing the depreciation policy for vehicles, plant, furniture and equipment and ensure it remains appropriate; and
- follow up of prior year recommendation in respect of Council asset existence checks.

Our findings

Infrastructure assets

We did not identify any new misstatements from our work, however our procedures in the prior periods noted one error in respect of the treatment of land associated with infrastructure assets which was incorrectly depreciated. This resulted in an unadjusted reclassification difference of £5.2 million and a reversal of depreciation of £0.9 million. This misstatement remains applicable for 2025/26.

The statutory override for infrastructure assets was extended by the Scottish Government to 31 March 2027. While there remains some uncertainty around the future accounting requirements for infrastructure assets, the Council should ensure that in line with the Scottish Government request, work is undertaken to address information deficits to ensure timely adoption of the permanent solution. Refer to recommendation 5 in Appendix E.

Vehicles, plant, furniture and equipment

The Council holds £64.4 million of vehicles, plant, furniture and equipment with the material element of this balance relating to IT related equipment. In line with our observations in the last three years, challenges were encountered in identifying underlying assets from the historic records held within the fixed asset register.

Further challenges continue to be encountered with some records for historic IT related assets being held by the Council's IT provider. Due to difficulties encountered in obtaining sufficient evidence to support the ongoing existence of equipment, an estimated impairment of £1.5 million was identified.

Consistent with prior year, we identified the following from our procedures:

- Capitalisation of low value items including moveable IT accessories which are challenging to prove ongoing existence and are likely to have limited useful lives.
- No existence testing was performed by management and similarly, an impairment assessment had not been performed.

As noted elsewhere in this report, the Council is implementing a new finance system and as part of this, considering whether improvements to records can be made. The Council has implemented a new process for IT equipment which ensures there is greater linkage between finance and operational asset records.

Our conclusions:

- Consistent with prior periods, we continue to highlight improvements required to the Council's records in respect of both infrastructure assets and vehicles, plant, furniture and equipment however acknowledge the new process implemented with the new IT provider.
- We have identified 2 errors from procedures performed relating to impairment of equipment and a misclassification of land within infrastructure assets.

Our response to areas of audit focus

2. Valuation and completeness of Right-of-Use assets and lease liabilities

What is the Risk?

Right-of-use assets, together with lease liabilities recognised under IFRS 16, represent significant balances within the Council's financial statements. Accounting for these arrangements is complex and requires significant judgement. Material judgements are required to be made by the Council in respect of future lease terms for temporary accommodation to support the homeless.

The Council engaged specialists to support the initial implementation of IFRS 16 during 2024/25 and encountered significant delays in producing the accounting entries and associated financial statement disclosures. There is a risk that IFRS 16 related balances are not appropriately included within the financial statements.

This risk impacts the following balances within the financial statements as at 31 March 2026:

- ROU assets – £860 million (2024/25: £821.5 million)
- Lease liabilities – £793 million (2024/25: £797.7 million)

Refer to accounting policies in Note 1 pages 22-35 and notes 18, 19 and 28 of the Council financial statements.

Refer to accounting policies in Note 1 pages 93-94 and note 14 and 22 of the Group Financial Statements.

We consider this risk to be relevant to the Group and the Council as a single entity.

What did we do?

- considering the Council and Group's approach to capturing additional information about leases, both new and existing, especially regarding future minimum lease payments and cost information;
- reviewing lease agreements to determine the completeness of the information used to prepare the required disclosures;
- reviewing the IFRS 16 model output from the accounting software to ascertain that the accounting for leases identified is accurate and complete;
- assessing whether there is any indication of leases which have not been captured within the IFRS 16 assessment, through our expenditure testing; and
- reviewing minutes to determine whether there are other leases entered into by the council not accounted for to ascertain completeness of the IFRS 16 assessment.

Our findings

We noted an improvement in the timeliness of the provision of information in respect of IFRS 16, with no adjustments identified from work performed.

The material judgement made by the Council in this area continues to be in respect of future lease terms for temporary accommodations for homelessness. We challenged the approach taken and ensured that the financial statement disclosures in this area appropriately disclosed this material judgement.

Our conclusions:

- We noted an improvement in the timeliness of IFRS 16 information being provided to audit and have closed the prior year recommendation in respect of IFRS 16.
- There was no disagreement during the course of the audit over any accounting treatment in respect of the valuation and completeness of right-of-use assets and lease liabilities.

Going concern

Audit requirements

In accordance with the CIPFA Code of Practice on Local Government Accounting, the Group and Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of substantial financial pressures facing the Group and Council, including the cost-of-living crisis, inflationary pressures, homelessness costs and other demand pressures as well as the implementation of pay and grading, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Group, Council and its financial sustainability. The going concern assessment and associated financial statement disclosures are more complex than most local authorities due to the pay and grading structure implementation and arrangements across the Group, including covenants.

Management's going concern assessment must therefore include consideration of support guarantees provided across the group entities, and any contractual support it is obliged to provide where group entities cannot meet payments, such as with the sale and leaseback subsidiary entities.

Management's assessment covers the 12-month period following approval of the financial statements, to [December 2027].

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Council [*has concluded that there are no material uncertainties around its or the wider Group's going concern status]*. We have outlined our consideration of the Council's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- The completeness of factors considered in management's going concern assessment.
- The accuracy of management's supporting cash flow and liquidity forecasts for the going concern period.
- The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.
- The completeness of the assessment for group entities including the potential impact of support provided and other group financing arrangements.
- The completeness of the assessment for pay and grading implementation including consideration of how any one-off costs will be funded.

Going concern continued

Our conclusions:

- *[We reviewed and challenged the going concern assessment provided by management. Due to the wide-ranging Group support arrangements in place at the Council, and financial sustainability challenges outlined in this report.*
- *We verified the assessment to supporting information, including key reports to the Council and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council or Group.]*



3 Wider Scope and Best Value audit

Introduction

In June 2021, Audit Scotland and the Accounts Commission published the current . This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- Financial management.
- Financial sustainability.
- Vision, Leadership and Governance.
- The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors and members of the Local Area Network (comprising other scrutiny bodies including the Care Inspectorate, Scottish Housing Regulator and Education Scotland) along with national reports and guidance from regulators and Audit Scotland and the Accounts Commission. The findings from our wider scope work have informed our assessment on Best Value themes in 2025/26.

Exhibit 6: Our RAG ratings

Red	Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.
Amber	This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council, as well as the overall pace of improvement and future risk associated with each dimension.
Green	

Financial Management

Introduction

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Our focus is therefore on in-year monitoring and reporting arrangements, including the achievement of planned savings, and the Council's financial outturn for 2025/26.

Our overall assessment: Green

The Council recorded a net underspend of £1.07 million in service expenditure, the first time an underspend has been reported since 2018/19 and a significant improvement on the £45.7 million overspend reported in 2024/25. This improvement was delivered following significant work as part of the 2025/26 budget process. In November 2026, the Council reported its probable outturn forecast which showed an overspend of £9.1 million for 2026/27. Recognising the continued cost pressures faced by the Council, a continued focus on both the accuracy of the budget and control of cost pressures will be required.

In prior years, we identified that there is scope to enhance the monitoring reporting of the capital investment programme to members to support better scrutiny arrangements. This remains under consideration by Members and management.

The Council's performance in respect of savings delivery reduced from achieving 96.5% of target in 2024/25 to 92% of target in 2025/26. This represented a year-on-year reduction of £9.1 million. The Council estimates that over £360 million of savings have been delivered over the past 10 years and therefore recognises that delivery of savings is becoming increasingly challenging without considering service redesign and other public service reform initiatives.

The Council's finance function continues to be required to demonstrate significant resilience above that embedded within its own formal arrangements. However, given the complex and extensive demands facing the Council, including implementation of the new pay and grading structure, increasing financial reporting complexity and the anticipated challenges in implementation of new systems, the Council needs to continue to critically reassess the sufficiency of its financial management capacity in the context of the current system limitations and internal control weaknesses, the scale of the financial challenge and change ahead and subsequent external audit and Commission findings.

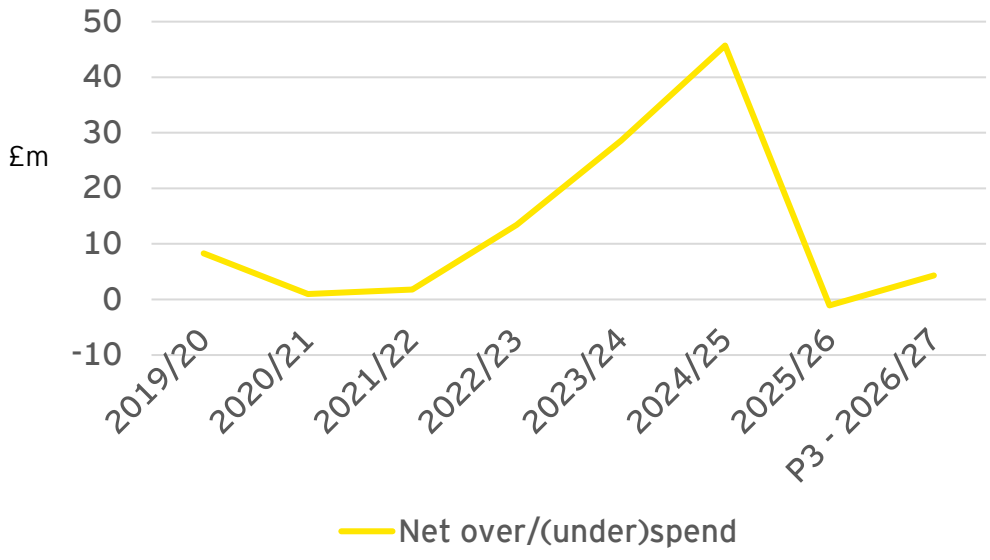
Further consideration of the Council's financial planning arrangements is set out on pages [50 to 62] within financial sustainability and assessment of control environment in respect of the financial statements is considered throughout Section 2 of this report.

The Council recorded a net underspend of £1.07 million in service expenditure in 2025/26, the first time an underspend has been reported since 2018/19.

The Council's underspend in 2025/26 totalled £1.07 million against budgeted service expenditure compared to an overspend of £45.7 million in 2024/25. The net position reflects an overspend in Neighbourhood, Regeneration and Sustainability offset against underspends in Related Companies, Education Services, Financial Services and Chief Executive office. Services spent between 98.6% and 100.6% of their final budgets compared to 2024/25 where services spent between 94.9% and 119.6%.

In 2022/23, the Council established a budget support fund which was to be used to support a number of budget options with implementation costs, primarily in respect of severance and also, to support cashflow around the implementation of budget options in future years. The opening balance of the budget support fund for 2025/26 was £28.5 million. During 2025/26, a budgeted contribution was made to the fund of £8.8 million taking the total balance to £37.3 million. The budget support fund was fully extinguished in 2025/26 with homelessness cost pressures of £37.3 million being met from the fund.

Exhibit 7: The level of overspend reported by the Council had increased significantly before returning an underspend in 2025/26



Source: Glasgow City Council financial statements and outturn reports

As illustrated by Exhibit 7, in recent years, the Council has experienced challenges in delivering their budget with material overspends noted. The overspend in 2024/25 represented the largest incurred by the Council in the last 6 years. 2025/26 represents a significantly improved position with a net underspend of £1.07 million reported against budgeted service expenditure.

This represents the first time an underspend has been reported since 2018/19. This improvement is a result of significant work undertaken as part of the setting of the 2025/26 budget whereby recurring budget pressures, where appropriate, have been incorporated within the budget.

Budget monitoring reports consistently reflected an expected underspend against services throughout the 2025/26 financial year

The City Administration Committee and Finance, Audit and Scrutiny Committee consider quarterly budget monitoring reports.

Budget monitoring reports are critical for elected members to make decisions about the prioritisation of resources. Robust financial reporting and monitoring is increasingly important given the scale of the financial challenge ahead.

Throughout 2025/26, there was an improvement when comparing reporting of net expenditure over/(under)spends year on year:

- Period 4 net expenditure overspend for 2025/26 was £0.4 million (2024/25: £13.3 million).
- Period 7 net expenditure underspend for 2025/26 was £0.6 million (2024/25: £25.2 million overspend).
- Period 10 net expenditure underspend for 2025/26 was £1.5 million (2024/25: £38 million overspend).
- Period 12 net expenditure underspend for 2025/26 was £1.8 million (2024/25: £43.7 million overspend).

While recognising the significant improvement in performance against budget for 2025/26, the scale of the financial challenge ahead for the Council is significant and there will continue to be a requirement to set and monitor a robust budget while responding to financial pressures. In 2026/27, the period 6 probable outturn shows a more challenging position with a £9.1 million overspend against the budgeted position forecast.

The Council delivered £20.9 million (92.4% of target) of savings in 2025/26

Performance against annual efficiency savings is included within individual service narratives provided to the Finance, Audit and Scrutiny Committee regularly throughout the financial year as well as being included in the summary report to the City Administration Committee.

The Council reported within the 2025/26 outturn report that £20.9 million (92.4%) of savings were delivered which represents a decrease of £9.1 million in total value of annual savings delivered compared to 2024/25 where £30 million of savings were delivered. Performance against the savings target was 92% in 2025/26 compared to 96.5% in 2024/25.

The Council concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the systems of governance and internal control

Within the Annual Governance Statement, the Council has concluded that they have obtained reasonable assurance that the system of internal control was operating effectively during the year. The Annual Governance Statement does specifically highlight improvements being required in relation to ICT services and resilience.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed. We undertook an assessment of the financial control environment as part of our planning work, and updated our understanding as part of the year end audit. Our audit methodology included a focus on the use of IT in the system of internal control as part of our requirements under the revised ISA 315 standard.

We were able to conclude our work in this area; however we continue to highlight that:

- we have followed up on 16 recommendations from prior year directly or indirectly related to financial management control arrangements, of which 8 are rated as high risk; and
- 1 new recommendation has been raised either directly or indirectly relating to financial management control arrangements.

Throughout the audit we have also made observations relating to the operation of controls. We identified 17 audit differences, and 9 recommendations remain open or in progress aimed at improving the financial control environment. While progress has been made in closing prior year recommendations, management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis.

The Council's Counter Fraud and Investigations Team identified over £1.77 million of savings in 2025/26.

The Council has a Corporate Fraud and Investigation (CFI) Team within the Internal Audit department. This allows the Council to respond to whistleblowing and other allegations and respond to the National Fraud Initiative (NFI). A whistleblowing response policy is in place and was last updated in March 2026. Contact details for whistleblowers are signposted on the Council's website.

The NFI programme is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The annual exercise produces data matches by comparing information held on public bodies' systems to identify potential fraud or error.

The Council most recently reported on progress against NFI within the Internal Audit Annual Report (June 2026). This noted that the Council received 22,161 matches to investigate as part of the 2024/25 NFI exercise, of which 21,181 are high priority. The majority of matches (10,015) relate to creditor matches.

To 31 March 2026, 18,493 matches had investigations completed with 3,668 investigations ongoing. Through this work, 957 errors and 31 frauds identified to date with a value of £218,746.

In August 2026, Audit Scotland published the National Fraud Initiative in Scotland 2026. The National Fraud Initiative (NFI) helps prevent fraud and error by cross-checking public bodies' data sets such as payroll records, electoral registers, and housing benefit claims. If a match is identified it can then be reviewed and investigated. Since 2024, the NFI has identified £21.7 million worth of data matching outcomes with that figure including:

- £6 million of overpayments and additional income that can be recovered and collected.
- Around £9 million of estimated forward savings and additional income.

The report highlights that participating bodies should:

- Use the NFI self-appraisal checklist as part of planning for the 2026/27 exercise and ensure the planned approach is clearly articulated and optimise the use of available resources to address risks and maximise savings.
- Review payroll to payroll matches as soon as reports become available and follow up all full-time to full-time matches immediately.
- Put in place arrangements for regular monitoring of follow-up activity and, where necessary, seek to understand reasons for low or nil outcomes.

Our consideration of the Council's participation in the 2024/25 NFI exercise noted an improvement in the engagement in the exercise however there remained delays in investigating some matches. We will continue to monitor the pace and scale of improvement in NFI participation in the 2026/27 exercise.

The Council's Corporate Fraud and Investigation team identified savings of over £1.77 million for the Council and wider public sector which represented an increase from £1.5 million in 2024/25.

The Council updated its existing fraud policy and procedures to take account of the latest Home Office guidance

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider.

This guidance outlines the core principles for establishing, reviewing or enhancing anti-fraud procedures. During 2026, the Council has finalised its review of its existing fraud policy and procedures against the latest Home Office guidance. An updated policy was finalised in August 2026.

The Council reports on the delivery of its significant capital investment programme

The Council reports annually on the performance of the Capital Investment Programme, including the status of projects across financial years. The annual performance report for the Capital Investment Programme 2025/26 is yet to be published. Capital expenditure in 2025/26 was £212.9 million with the largest funding source being net borrowing of £135.9 million.

The scale of projects mean that they often straddle financial years, and management has therefore established arrangements for internal monitoring in a Capital Programme Board, which is chaired by the Director of Financial and Business Services.

The Depute Leader and City Treasurer provides a quarterly progress updates to the City Administration Committee, the committee responsible for approving budget virements. In addition, more detailed monitoring reports are provided to the Finance, Scrutiny and Audit Committee.

The current reporting arrangements, specifically the level of detail provided, may undermine effective scrutiny and do not fully reflect the size or complexity of the capital programme. For example, the quarterly Investment Programme reports to the Finance, Audit and Scrutiny Committee are typically over 80 pages long.

Increased oversight and transparency on the progress of capital projects against key milestone dates, would provide additional assurance that investments will be delivered as planned. The number of projects reported could also be reviewed by increasing the threshold at which projects require reporting to Committee. Refer to recommendation 8 of Appendix E.

Financial management arrangements need to meet the scale and complexity of the Council's requirements

We considered the strength and depth of the finance team, including the arrangements for workforce and succession planning. The Council's finance team operate in the context of increasing challenges in the effectiveness of underlying financial systems, increased workloads linked to financial process requirements, and an increasingly onerous external financial monitoring, technical accounting and external scrutiny environment.

Our experience is that key personnel with financial management responsibility have extensive experience and demonstrate a strong working knowledge of the Council's arrangements. However, the capacity of the finance team continues to be significantly challenged by both the scale and complexity of day-to-day responsibilities and significant one-off matters. This has been exacerbated in recent years by:

- increasing matters being identified in the underlying control environment;
- the implementation of the new pay and grading structure;
- a significant increase in the number of significant and unusual transactions requiring significant technical consideration; and
- several years of the financial statement and subsequent external audit cycle no longer being in line with traditional timetables.

Given the complex and extensive demands facing the Council increasing financial reporting complexity and the implementation of new systems, the Council needs to continue to critically reassess the sufficiency of its financial management capacity in the context of external audit findings, the current system and internal control weaknesses, and the scale of the financial challenge and change ahead.

The Council continues to take steps to future proof the finance function including a focus on developing and expanding the Council's professional trainee programme. Further initiatives such as this may be required to ensure the finance team is sufficiently resilient to the challenges which lie ahead.

Financial Sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered. Our focus is therefore on the strategic planning that the Council has undertaken to support its sustainability and ability to deliver balanced budgets in the medium term.

Our overall assessment: Red

In August 2026, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2027/28 and 2028/29. This set out a net gap of £111.3 million in 2027/28 and £84 million in 2028/29. This forecast does not reflect the one-off costs associated with the new pay and grading structure implementation as these were subject to ongoing negotiation at the time of publication. Scottish Government contributions to the homelessness cost pressures were also not known at this time. An updated financial outlook report was presented to City Administration Committee in November 2026 which outlined a combined net budget gap for 2027/28 and 2028/29 of between £136.2 million and £170.2 million, which reflects the mid and high case cost scenarios for homelessness.

The Council's financial outlook continues to be subject to significant short, medium and longer-term risks. The new Pay and Grading Scheme, including the associated backdated pay implications, together with projected homelessness levels, present particularly significant financial challenges which are unique to Glasgow. These exist alongside broader pressures experienced across local government, including uncertainty over external funding and the ability to deliver new sources of income in line with budget assumptions. The scale and combination of these pressures reinforces the importance of a robust longer-term financial strategy, demonstrating how priorities will be delivered under a range of financial scenarios.

The Council has operated without a medium-term financial plan for the duration of the current Strategic Plan, covering the period 2022-2027. Looking ahead, the Council must ensure that a robust medium-term financial plan is developed which aligns to the priorities which will be included in the new Strategic Plan.

Following approval by the City Administration Committee in August 2026, the new pay and grading structure is scheduled for phased implementation from April 2027. This is the last date where the new structure can be implemented before the Council risks further equal pay claims arising.

The financial implications of the new structure are becoming clearer. A £74.5 million provision has been recognised for estimated backdated pay relating to primary benchmarks, although the final amount remains to be determined and funding for the associated costs is not yet fully in place. Significant and complex decisions will be required as the project progresses into this critical implementation stage and one-off costs are agreed.

National budget pressures continue to impact Local Government financial sustainability

The Accounts Commission's 2026/27 Local Government Budgets bulletin (June 2026) highlights that, despite a modest increase in Scottish Government funding, councils across Scotland continue to face significant financial sustainability challenges. Total local government funding increased by one per cent in real terms, with revenue funding increasing by two per cent. However, this has been offset by rising demand for services, inflationary pressures and increasing costs, particularly in social care. Councils collectively identified a revenue budget gap of £529 million when setting their 2026/27 budgets, equivalent to around three per cent of total General Fund revenue budgets.

A key pressure for councils remains the increasing cost and demand associated with health and social care services. Councils will provide £4.3 billion of revenue funding to Integration Joint Boards (IJBs) in 2026/27, representing almost a quarter of councils' combined revenue budgets. Audit Scotland notes that financial pressures within the IJB sector continue to grow, with IJBs requiring significant savings programmes and reserve levels reducing. The report highlights that these pressures are expected to continue and could result in councils being required to provide additional financial support to IJBs during the financial year.

To achieve balanced budgets, councils have relied on a combination of council tax increases, savings programmes, income generation and the use of reserves. All councils increased council tax in 2026/27, with an average increase of 7.7 per cent, and councils collectively approved £180 million of savings. While most savings are recurring in nature, the bulletin notes that many councils continue to use reserves to manage short-term financial pressures and that this approach is not sustainable in the long term.

The report also identifies increasing risks associated with capital investment. Although councils' overall capital budgets remain substantial, Scottish Government capital funding reduced by 15 per cent in real terms in 2026/27. This is increasing councils' reliance on borrowing to fund infrastructure investment, with borrowing now representing around 71% of General Fund capital funding. The Accounts Commission highlights that higher levels of borrowing will place additional pressure on future revenue budgets through increased financing costs and may limit councils' ability to invest in local assets and infrastructure over the longer term. The report concludes that councils will increasingly need to identify sustainable savings, redesign services and engage effectively with communities to maintain financial sustainability and deliver services within available resources.

In addition to the wider pressures experienced across local government, the Council faces two significant and distinct financial challenges in respect of the implementation of the new pay and grading structure and projected levels of homelessness within the city.

Public service reform is at the heart of the Scottish Government's Programme for Government.

In September 2026, the Scottish Government published the Programme for Government 2026-2031 ('the Programme'). The focus of the Programme for government is eradicating child poverty, growing the economy, tackling the climate emergency, delivering high quality and sustainable public services.

The Programme states that the Government's intention is to simplify the public sector landscape to best deliver for the people of Scotland, with more effective delivery by removing unnecessary duplication and overlap, providing clearer lines of decision-making and accountability, and getting resources more directly to the frontline services people rely on, rather than being confined by current structural or bureaucratic barriers.

A number of significant restructures are set out within the Programme including:

- Replacing the current 14 territorial Health Boards with two Strategic Health Boards as well as further reducing the number of special Health Boards. This will be the most significant structural reform since 2004 where NHS Trusts were abolished, and the current NHS structure was created.
- Entering into a 3-month period of engagement with local authorities, trades unions, and healthcare and service providers to reach agreement on reform of social care.

Further detail on the proposed reform of local government was published on 21 September 2026. The current model of local government has not been reviewed since devolution and the restoration of the Scottish Parliament in 1999.

The Government's opening proposition for discussion is that the current local government arrangements are replaced with a smaller number (6 to 10) of regional authorities focussing on strategic decision-making, with a substantial number (120-160) of community authorities focused on local decision-making. A bespoke solution will likely be agreed for island communities.

The Government are now entering into a period of engagement on the proposals with local communities, stakeholders and partners.

The financial outlook for the Council shows a combined net gap of £195.3 million for 2027/28 and 2028/29

In August 2026, the City Administration Committee received a report on the high-level financial outlook for the next two financial years, 2027/28 and 2028/29. This set out a net gap of £111.3 million in 2026/27 and £84 million in 2027/28. This net gap included the following material assumptions:

- Flat cash settlement from Scottish Government for 2027/28 onwards.
- Council tax buoyancy of £2.6 million for 2027/28 then a 2% increase thereafter but no allowance for council tax increases.
- Pay awards of 3% for 2027/28 and 2% for 2028/29.
- No provision for inflation except where contractual.
- A general allowance of £7.5 million per annum for demand pressures.
- the use of a one-off benefit in 2027-28 of £14.6 million being the balance of unused General Capital Grant from 2026-27.

The Council and Integrated Joint Board ('IJB') continue to respond to specific pressures within the homelessness service

In recent years, there has been significant pressure on Glasgow City Council and IJB's financial sustainability in respect of their responsibilities in relation to homelessness accommodation.

In late 2023, the IJB highlighted a significant worsening of its financial position, following the UK Government's announcement of a streamlined asylum process to address the significant backlog of asylum decisions. The streamlined process applies to households from countries who are more likely to receive a positive asylum decision. Any household that has received leave to remain in the UK can seek assistance from a local authority under homelessness legislation. In October to November 2023 reporting to both the IJB and the Council highlighted that there are limited accommodation options to deal with further expected decisions from the Home Office. The Council has committed to meeting the cost of the estimated overspend on homelessness within the Health and Social Care Partnership. Representations continue to be made to both the Scottish and UK Government to provide additional financial support to the Council to respond to these pressures.

In 2026/27, the Council has budgeted to fund the estimated cost of £56 million mainly from a permission by the Scottish Government to vary the conditions on the use of General Capital Grant (GCG) in 2025/26. The estimates in August 2026, assuming no additional actions beyond those currently being taken by the Council, were that costs of homelessness will increase to £75 million in 2027/28 and £93 million in 2028/29. In August 2026, the Deputy First Minister confirmed that the 2027/28 Local Government Settlement will include specific provisions to provide financial support and that the Council can therefore assume in its financial projections that the Local Government Settlement will include a meaningful contribution towards Glasgow's unique issues on homelessness, the value of which is still to be determined.

The Scottish Housing Regulator has highlighted that the Council's services to homeless people are impacted by systemic failure and that it is breaching statutory duties. Systemic failures mean that the number of people who are homeless, and the level of the need they have now exceed the Council and IJB's capacity to respond. In order to respond, the Council and IJB will need to continue working with stakeholders to achieve change.

A significant reduction in pension contributions is expected to the LGPS

Strathclyde Pension Fund is subject to a triennial funding valuation which is used to determine the contribution rates for the next three-year period. The triennial valuation is performed based on the position of the Fund as at 31 March 2026, but will set contribution rates for the three-year period from the 1 April 2027.

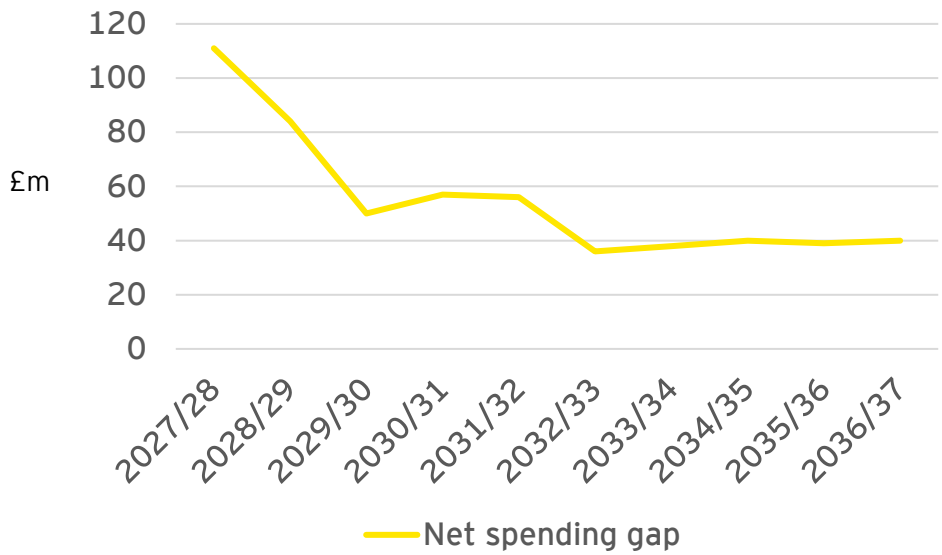
Within the Council's Financial Outlook for 2027-2029 presented to the City Administration Committee in August 2026, the assumption is that pension contributions to Strathclyde Pension Fund will decrease to 6.5% from 1 April 2027. This assumption is in line with the results of the last triennial valuation where rates were set at 6.5% for the first two years and then increased to 17.5% in the third year. The initial results of the actuarial valuation, as reported to the Strathclyde Pension Fund Committee in September 2026, show that the scheme has moved from being 147% funded as at 31 March 2023 to 152% funded as at 31 March 2026.

The final results of the actuarial valuation will be confirmed in March 2027 alongside final contribution rates.

The Council needs to develop longer-term financial planning arrangements

The Council's Financial Outlook paper for 2027-2029 does not constitute a medium-term financial plan, and the Council continues to set one-year budgets. The paper does however set out more detailed forecasts for the next two financial years and sets out the high-level net spending gap for the next 10 years to 2036-37.

Exhibit 8: The forecast for the next 10 years shows estimated spending gaps ranging from £111 million to £36 million.



Source: Glasgow City Council Financial Outlook 2027 to 2029, August 2026

The financial outlook paper acknowledges that given the scale of the financial gap for 2027-2029 of £195.3 million, that it is essential that the Council takes steps to prepare for the 2027/28 budget. It was initially proposed that the Public Service Reform and Financial Strategy Political Oversight Group develop a forward budget strategy to address the financial gap and that this be presented to the City Administration Committee on 17 September 2026.

The presentation of this strategy to the City Administration Committee was delayed due to ongoing discussions regarding material elements of the budget, specifically the implementation of the new pay and grading structure and contributions from Scottish Government in respect of homelessness costs. The Scottish Government contribution is expected to be confirmed following the UK and Scottish budget announcements, with the latter expected in early December 2026. An updated financial outlook paper for 2027-2029 was presented to City Administration Committee in November 2026. This report outlined a combined net budget gap for 2027/28 and 2028/29 of between £136.2 million and £170.2 million, which reflects the mid and high case cost scenarios for homelessness.

While recognising the ongoing financial uncertainties that exist within local government, we continue to recommend that the Council should develop longer-term financial planning arrangements that model the impact of a range of risks both on the Council's reserves and the priorities set out in the Strategic Plan.

The Council's financial planning, as reported to Committee, does include:

- an overview of the economic and Scottish outlook;
- Council projections and assumptions for the 2027-2029 period for key areas;
- the impact of anticipated funding movements, spending pressures and the net spending gap;
- high level net spending gap for the next 10 years; and
- highlights key risks that could impact the forecasts.

To enhance the Council's medium term financial planning arrangements, the Council's medium-term financial plan should include:

- detailed financial projections rather than just impact of movements on funding and spending for at least 3-5 years;
- a clear link between the Council's strategic plans and the financial plan;
- quantified savings including those arising from transformation programmes;
- assessment of demand risks;
- consideration of reserves projections including compliance with the Council's reserve strategy;
- where gaps are identified clear plans to reduce the gaps;
- bring together both capital and revenue spend to ensure implications of spending decisions in both areas are considered; and
- evidence of scenario planning and the impact of different assumption being applied on both reserves and the net spending gap.

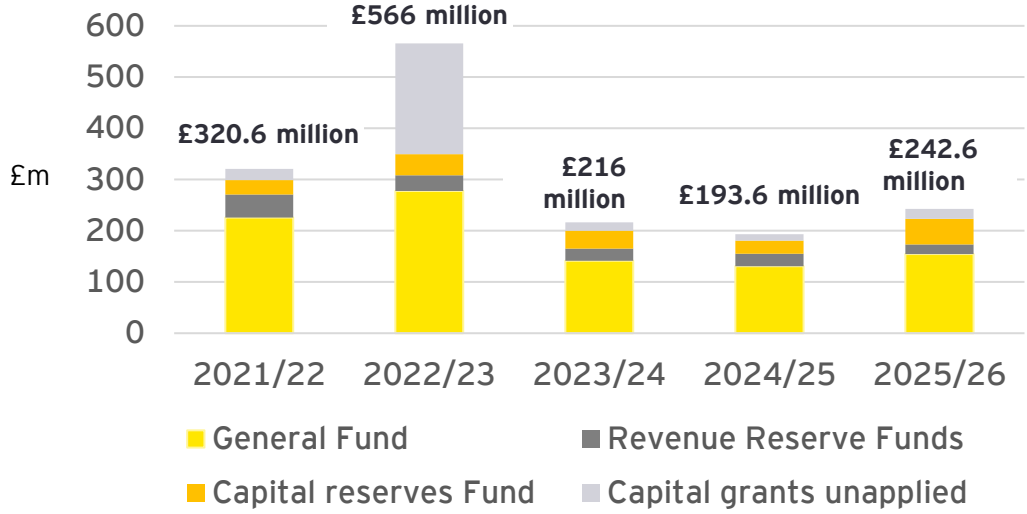
The lack of a clear medium-term financial planning that includes evaluation of the above, limits transparency regarding the scale of the challenges facing the Council, the choices available to members and the implications for communities. A medium-term financial plan allows the Council to evidence the size of the challenge ahead, test different scenarios, show the implications of different choices and demonstrate that elected members are making informed decisions about financial sustainability, recognising significant uncertainty.

The Council has operated without a medium-term financial plan for the duration of the current Strategic Plan, covering the period 2022-2027. Looking ahead, the Council must ensure that a robust medium-term financial plan is developed which aligns to the priorities which will be included in the new Strategic Plan.

The Council's usable reserve balances have increased to their highest level since 2022/23

Exhibit 9 highlights that the Council's usable reserves increased by £48.98 million during 2025/26 to £242.6 million, the highest level since 2022/23.

Exhibit 9: Reserves balances increased by £48.9 million



Source: Glasgow City Council Financial Statements

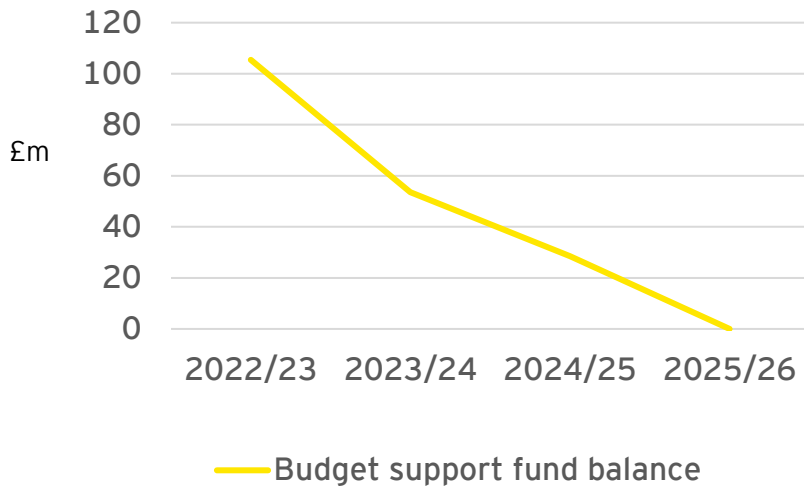
The Council's Budget Support Fund was fully extinguished in March 2026

The Council had taken advantage of the fiscal flexibilities that have been available to local government since October 2020 in relation to service concessions. The Budget Support Fund was originally earmarked to meet the implementation costs associated with budget savings options, including severance costs. The Fund was also intended to provide support for future budgets.

As Exhibit 10 on page 57 highlights, the Budget Support Fund reduced to £28.5 million at 31 March 2025 and reduced to nil as at 31 March 2026, having been primarily utilised to support the homelessness cost pressures.

The intention of the fund was primarily to support the Council in becoming more financially sustainable and able to respond to future financial pressures. However, a significant proportion of the fund has been used to support the deficit position and homelessness pressures. With the Fund now fully utilised by the homelessness budget pressures in 2026, the Council has been required to find other options to manage future budget pressures.

Exhibit 10: The budget support fund reduced to nil by the end of 2025/26



Source: Glasgow City Council Financial Statements

For 2026/27, the Council obtained permission from Scottish Government to vary the conditions on the use of General Capital Grant in 2025/26 to fund the estimated cost of the overspend on homelessness. This variation allows the grant to be used as a contribution to the Capital Fund in 2025/26, from which it is applied in-year to repay the principal element of borrowing costs. This generates a revenue underspend in 2025/26 that is fully utilised in-year to provide financial capacity to meet homelessness pressures. While this measure provides temporary budgetary relief, it increases longer-term financing costs and reduces the Council's capacity to support future capital investment.

The Council should develop a strategy to return reserve levels to be in line with their target

The Council's unearmarked reserve balance is £41.407 million, representing 1.9% of net budgeted expenditure. As in prior years, this level falls below the Council's medium-term target of 2% however does represent an improvement in comparison to prior years. The Council last held reserves in line with the medium-term target in 2020/21, the year where financial flexibilities were utilised.

The Council should ensure that the medium and long-term financial plans set out a clear approach to ensuring that reserves held are in line with the policy. We recommended in 2024/25 that the Council reviews its policy to ensure this remains appropriate. Within the November 2026 Financial Outlook 2027-2029 paper, the Executive Director of Financial Services confirmed that the reserves policy had been reviewed, with particular consideration given to the impacts of homelessness and the implementation of PGS. This assessment concluded that the Council should maintain its existing policy.

Background to equal pay and pay and grading

In 2019, the Council settled more than 15,000 historic equal pay claims at a cost of £505 million. This was funded through the sale and leaseback of 11 Council properties.

In addition, in 2021/22 the Council recognised a provision of £260 million in respect of equal pay with payments being made in summer 2023. In order to fund these payments, the Council raised £210 million through sale and leaseback transactions with Council subsidiaries. The total annual rent payable to City Property for all 17 sale and leaseback properties is now £33.1 million plus annual inflation.

Through the Memorandum of Understandings (MoUs) signed in June 2023, all parties agreed to broad terms for settling equal pay claims for all residual and ongoing equal pay liabilities up to October 2023. The claims settled under the MoU included new claims and all updated claims from those claimants that previously received settlements in 2019 along with any of the previous unresolved claims that missed the 2019 deadline, and which were still outstanding.

The MoUs set out wider agreed principles that allowed the Council to mitigate and manage its ongoing equal pay risks during the period in which it aims to implement its new pay and grading system, including an agreement that no further equal pay claims will be pursued before 1 April 2027.

The Accounts Commission continues to monitor progress in resolving historic equal pay arrangements.

In February 2020, the Accounts Commission and Controller of Audit issued a Section 102 report on the Council's equal pay arrangements where the Accounts Commission commended the Council for good progress with delivering its equal pay programme.

In August 2023, the Accounts Commission issued an updated Section 102 report that focused on the Council's progress in relation to equal pay since the publication of its previous report.

The Accounts Commission findings acknowledged the effective governance processes and arrangements in place for overseeing the programme of work. The report also noted the critical need to replace the Council's current pay and grading structure with one that is equal pay compliant.

In December 2024, the Controller of Audit provided the Accounts Commission with a further update on progress since the publication of the Section 102 report in August 2023.

A further update on progress was provided to the Commission through the Controller of Audit's Best Value report on the Council in August 2026. The Commission's findings, published in September 2026, highlight that the failure to agree a sustainable pay and grading structure by 1 April 2027 will mean ongoing financial uncertainty and risk, and will ultimately affect services and outcomes for communities.

The Commission requested that the Controller of Audit keeps the Commission informed of any significant developments in relation to this key milestone and on financial implications.

Implementation of a new pay and grading structure is complex, with a range of interdependencies

The project is complex, with a range of inter-dependencies, including the completion of a comprehensive job evaluation exercise, PGS design, financial modelling, gender pay gap analysis and significant payroll revision. The programme governance arrangements include representation from HR, Legal, Finance, and Technical Workstreams, with participation from trade unions.

In September 2022, a report to the City Administration Committee indicated a revised implementation date of April 2024. Through the remainder of 2023/24 a significant risk related to delivery on this date became apparent. This risk was based on discussions with trade unions on the scale of 'benchmark' jobs (circa 350) to be evaluated, including evaluating around 900 identified 'unique' jobs. The Council developed a job evaluation recovery plan to allow it to implement its new pay and grading structure during financial year 2024/25, this was communicated to CAC in its August 2023 report.

A workforce communication was issued in November 2023 outlining February 2025 for PGS implementation and the challenges that remain in achieving this. Throughout 2023 and 2024, the Council progressed the job evaluation process and while progress was made, the April 2024 deadline for completing job evaluations was not achieved.

In September 2024 a further workforce communication was issued followed by an update on the equal pay programme to the City Administration Committee in October 2024. The Council highlighted that further stages of the programme involve several critical milestones where the timetable was exceptionally challenging to forecast. As a result, the February 2025 implementation date was delayed while work progressed on these critical milestones.

A revised phased implementation date of April 2027 is being targeted for PGS implementation

An update on the equal pay programme was provided to the City Administration Committee on 4 December 2025. This set out a revised phased implementation from April 2027.

In August 2026, the City Administration Committee received a report advising members on the outcome of the Pay and Grading Structure consultation and approved the phased implementation of the proposed PGS for just under 24,000 employees from 4 April 2027. In line with the phased approach to implementation, there may be different outcomes from April 2027 for employees in scope. The two categories used to support understanding of each part of the new PGS are:

- Fully evaluated – those roles whose evaluation is complete, reported previously as Primary Benchmarks, this equates to just under 80% of the workforce in scope.

- Not fully evaluated – those roles for which evaluation remains ongoing, this is predominantly Secondary Benchmark roles and Unique.

The key points relating to the new Pay and Grading structure are as follows:

- Over 200 roles have been fully evaluated for implementation. The outcome of job evaluation has resulted in jobs being provided with a score and that score establishes the position in the rank order of jobs, overlaid on which is the new pay levels of the new PGS.
- 12 pay levels have been established to cover the existing WPBR grades 1 to 11 and these levels outline core pay based on the evaluation score of each role.
- Salary points have been derived from SJC Spinal Column of Hourly Rates, expressed as an annual salary based on a 35 or 37-hour calculator, where applicable.
- An allowance framework has been developed through the consultation period to replace the previous Non-Standard working pattern.

Employee outcomes from the new PGS are described as green, white or red circling whereby:

- Green – where the employees current (WPBR) pay (comprised of basic pay and WCD) falls below the pay minimum in the proposed PGS Level.
- White – where the employees current (WPBR) pay (comprised of basic pay and WCD) falls between the minimum and maximum pay of the proposed PGS level.
- Red – where the employees current (WPBR) pay (comprised of basic pay and WCD) falls above the pay maximum of the proposed PGS Level.

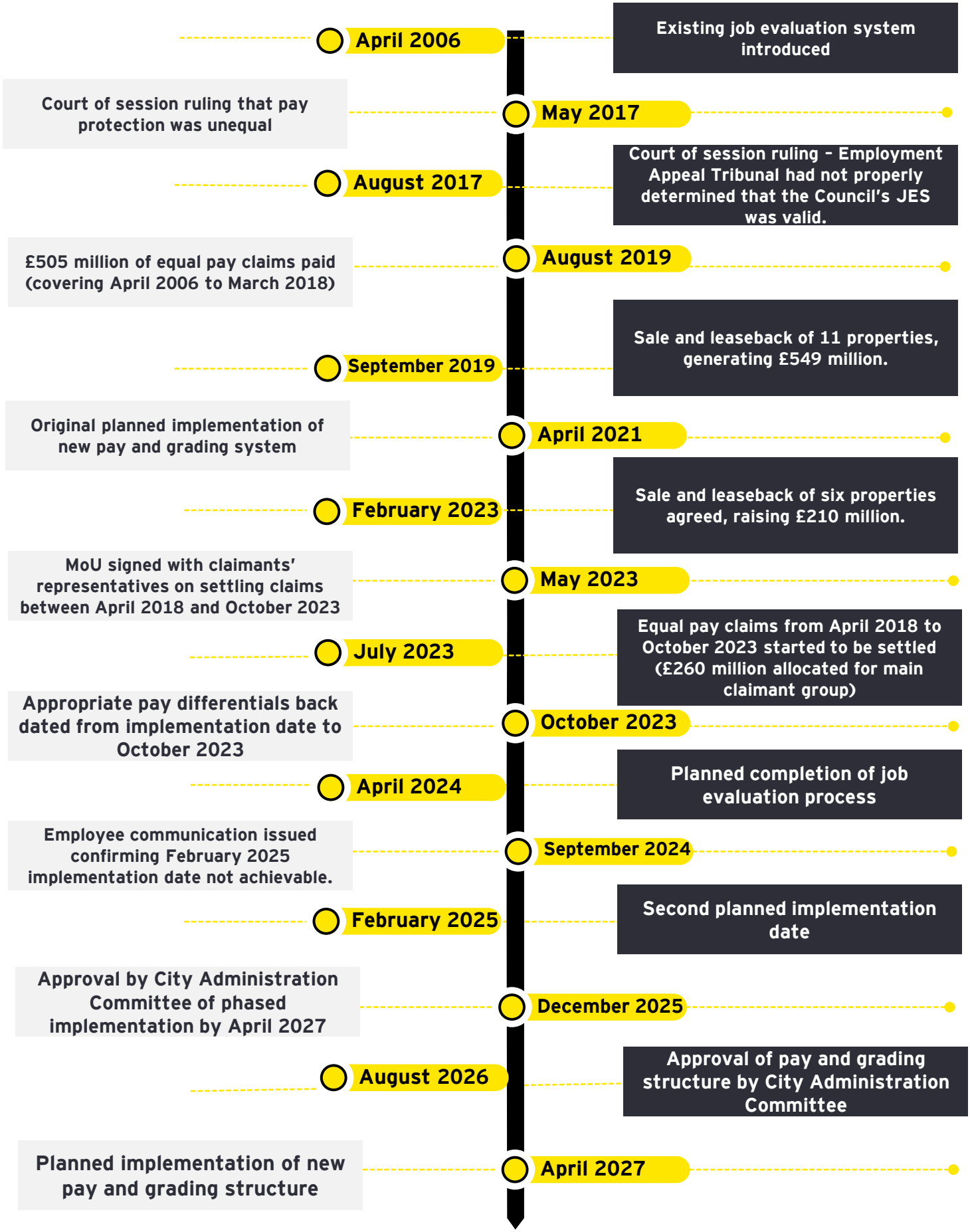
The new PGS (based on total pay) results in 63% green circles, 26% white circles and 11% red circles on day one of implementation in April 2027. The outcome of the new PGS has a positive impact on equalities with the overall gender pay gap reducing from 2.6% to -0.5% when considering total pay for all employees.

The Council's aim remains to secure implementation of the new PGS through collective agreement with the Joint Trade Unions

The Council has undertaken extensive consultation and engagement throughout the development of the proposals with the aim that collective agreement with the Joint Trade Unions can be reached. *[At the time of writing, the Joint Trade Unions are balloting their members on the proposed arrangements.]*

The Council could not, at the time of presenting to CAC in August 2026, forecast whether collective agreement will be reached and therefore required to commence a statutory process under section 188 of the Trade Union and Labour Relations (Consolidation) Act 1992.

Exhibit 11: Glasgow's equal pay timeline



Source: Glasgow City Council City Administration Committee papers, Accounts Commission Section 102 reports and EY

The commencement of this process was to ensure that the Council complies with its statutory obligations, maintains the ability to deliver the approved PGS within the stated timescales and continues to engage constructively with the Joint Trade Unions regarding implementation arrangements.

If collective agreement is not secured, the Council may need to seek individual agreement to revised contractual arrangements and where necessary, consider other lawful options available to implement the approved PGS. These options include dismissal of existing contracts and an offer of re-engagement on revised terms and conditions.

The Council has confirmed that the new PGS will not be cost neutral.

The Council previously reported that the financial premise of the new PGS will be cost neutral on future revenue budgets. In August 2026, alongside the new PGS, the City Administration Committee considered the Financial Outlook for 2027-2029. This paper included details of the estimated impact of the new PGS, specifically noting:

- The additional recurring costs of the recommended model are an estimated £82.5 million, with £65.4 million required in 2027/28 and £16.5 million in 2028/29 with the remainder in 2029/30.
- One-off costs in respect of any residual equal pay liabilities are still to be agreed.
    - The Financial outlook notes that the Council has been granted approval to raise upwards of £170 million through the refinancing of existing loans, releasing a discount which can be classed as revenue. This would result in a recurring cost of £15.5 million in debt charges.
    - The Council has sought permission to use capital to fund one-off costs which requires approval from HM Treasury.
    - The Council are also seeking to smooth the cost of implementation over a 5-year period.

The most significant financial impact of implementation is likely to be the one-off costs of backdated pay and settling historic claims. Given the MoUs agreed in 2023 included an agreement that no further equal pay claims will be pursued before 1 April 2027. The proposed implementation date of April 2027 is therefore the last date that the PGS could be implemented before the Council is at risk of further equal pay claims arising. The Council has already paid a total of £765 million in equal pay claims and pays annual costs of approximately £33.1 million for the sale and leaseback properties used to fund the claims. The total paid by the Council to resolve equal pay, both with respect of direct and indirect costs, is likely to exceed £1 billion and will have ongoing annual revenue cost implementations both from the new pay and grading structure and the finance costs for funding the settlements and one-off costs.

Recognising the significant amount of public money involved, as well as the impact on the workforce, we have discussed with the Council the importance of undertaking a lessons learned exercise once the project has concluded. The Council has agreed to consider undertaking such an exercise.

Vision, Leadership and Governance

This considers the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our overall assessment: Amber

The Council has significant projects underway including R2MS, SAP replacement and pay and grading. We continue to highlight that the scale and critical nature of the projects, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project. We also highlight the critical importance of delivering pay and grading on schedule as any delays will impact delivery of the SAP replacement and result in additional financial and operational risks to the Council.

The Council concluded that reasonable assurance could be placed on the systems of internal control in the year within the Annual Governance Statement. Significant governance issues continue to be reported in the AGS including one new matter for 2025/26 (cyber incident), and three other matters previously reported (ICT Service and Security, Senior officer exit payments and City Building – Performance management).

An independent self-assessment of the Finance and Audit Scrutiny Committee was reported in June 2026, concluding that the Committee is operating effectively with no major areas of concern identified. However, four observations were noted including two in respect of enhancing scrutiny which align with our observations of the Committee.

The Council has continued to respond to the Section 102 report in respect of senior officer exit payments in an open and transparent manner. The specific actions arising from the Accounts Commission findings, the Brodies LLP report and the 2023/24 Annual Audit Report have been addressed. Work relating to organisational culture is, by its nature, longer term and remains ongoing. While revised processes and governance arrangements are in place, no comparable restructuring exercise has yet taken place through which their operation and effectiveness could be demonstrated in practice

Overall, the Council's governance and scrutiny arrangements met the core expectations established in good practice guidance throughout 2025/26.

The Annual Governance Statement demonstrates that it has the key requirements for good governance in place but highlights significant matters

The key aspects of the Group and Council's governance arrangements are required to be disclosed in the Annual Governance Statement ('AGS'), included within the financial statements. This sets out the arrangements for managing the "Council Family" of arms-length organisations, the arrangements to scrutinise key policies, anti-fraud and whistleblowing arrangements and the Council's approach to risk management.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for Delivering Good Governance in Local Government, and against our understanding of the Group and Council's arrangements in the period to 31 March 2026.

Overall, the Council's governance and scrutiny arrangements met the core expectations established in good practice guidance throughout 2025/26, commensurate with an authority of this size and scale. The Council has concluded that it has obtained reasonable assurance that the system of internal control was operating effectively during the year.

The AGS continues to highlight significant governance issues. This includes one new matter for 2025/26 (cyber incident), and three other matters previously reported (ICT Service and Security, Senior officer exit payments and City Building – Performance management).

The Council must critically assess its ICT security, business continuity and disaster recovery arrangements

There continues to be a significant risk of cyber-attacks to public bodies. Recent incidents demonstrate the significant impact that a cyber-attack can have on both the finances and operations of an organisation.

On 19 June 2025, the Council was impacted by a cyber incident at a third-party sub-contractor. The incident was discovered by one of the Council's third-party ICT providers, CGI who discovered malicious activity on servers hosted by a third-party supplier.

The Council responded by isolating servers to protect the Council's wider network and this involved significant disruption to a number of web forms and online services. The Council implemented a prioritised recovery plan and where possible, put in place alternative ways to access services on a temporary basis. Full access to these services was gradually restored with the final service restored in early September 2025, a period of approximately two months from the original incident.

A report from specialist cyber security experts received by the Council, states that they have 'high confidence' that the incident has been contained. Forensic analysis found no evidence of encryption or exfiltration of Council or customer data however the Council has continued to monitor closely. Evidence was identified that attempts were made to download data, however these were all denied. An internal audit review of the lessons learned has been completed and reported to the Finance and Audit Scrutiny Committee in May 2026.

This incident highlights both the critical importance of robust business continuity plans and strong cyber security controls. While this incident demonstrated effective arrangements, internal audit continue to highlight concerns around ICT Service and Security, for the fifth consecutive year, within its annual report for 2025/26 and the Annual Governance Statement. It noted that a number of high-risk areas have been mostly mitigated but there are other areas where work is ongoing and therefore the Council remains exposed to risk. Management are continuing to work with managed service providers to mitigate the risks during 2026/27.

In October 2026, the internal audit follow up report noted that the outstanding recommendation had now been marked as superseded. This reflected that due to the everchanging nature of the IT control environment, the Council's Digital Services team have commissioned the Security Assurance Services provider to undertake an evidence-based review of the Council's current cyber security arrangements.

The Accounts Commission published a Section 102 report in respect of the cyber attack at Comhairle nan Eilean Siar in November 2025. The report's findings include two specific findings that the Accounts Commission and Controller of Audit urge all councils to consider. The Council has performed a self-assessment against the recommendations within the report and no new actions have been identified as a result, as set out in recommendation 29, Appendix E.

Disaster recovery testing was identified as an area of improvement following the Council's finance system outage in 2023. While work has been progressed in this area, this remains an area of ongoing focus and risk to the Council (refer to recommendation 6, Appendix E.

The Council's Future of ICT project has become the Road to Multi-Source Strategy ('R2MS')

The Council has continued to progress the fundamental project on the future of the Council's digital and ICT services in a programme initially known as the Future of ICT ('FICT') which has progressed to the Road to Multi-Source Strategy ('R2MS').

An outline business case was considered by the City Administration Committee in September 2023 and a preferred option for delivery was selected. The project is significant and represents a fundamental change in how ICT is delivered and maintained within the Council.

The aim of the project is to gradually move from a single supplier of ICT services to a multi-source model where different suppliers provide specific services. The new model commenced on 1 April 2025 with the Council now working with CGI and Commsworld. Each service tower is being re-procured on a phased basis.

This change also means that the role of the Council's Strategic, Information, Innovation and Technology Team ('SIIT') is changing to meet the requirements of the new model and is now known as Digital Services.

In June 2026, the City Administration Committee received an update on progress on the implementation of R2MS and approved a recommended revised date for completion of the Road to Multi-Source Strategy re-procurement activity.

The Council's finance system is scheduled for replacement in 2028

Replacing a finance system at any organisation is a significant and complex project, however the scale and nature of the Council and its group presents further challenges. The system holds data on approximately 34,000 employees and over a million transactions in respect of accounts payable, purchase order, sales orders and intercompany bills are raised. The current SAP system has been in use in the Council since 2004 and standard support from the vendor ends in December 2027. There have been several high-profile examples of such projects having significant operational failures as well as significant additional costs.

A number of key milestones have been met on the project in the last two years:

- In April 2023, the Council engaged a Client-Side Adviser to advise on best practice for procurement and implementation of a modern ERP system.
- In February 2025, the Council agreed the award of the contract to Oracle Corporation UK Limited for their Oracle Cloud ERP solution, often referred to as Oracle Fusion.
- In June 2025, the Council agreed the award of contract for software design and implementation services to Mastek Systems Company Limited.

The governance arrangements for the project includes a Steering Group, a Coordination Group and a project team with the 3 groups being supported by a Project Management Office (PMO). The Council has provided the Finance and Audit Scrutiny Committee with annual update reports on progress with the last update provided in October 2026.

The Council has determined that a two-wave implementation approach is preferred. Wave 1 was scheduled to deliver in April 2027 and will include all Finance and HR transactional functionality. Wave 2 was scheduled to deliver in July 2027 and would include the remaining payroll functions. The delivery of the quality of progress will be monitored by achievement of a series of 8 milestones and readiness to progress through the process is controlled by responding stage gates, which represent points in the project where the Council will assess whether they can continue to progress to the next stage. The ERP Replacement Steering Group will be responsible for confirming whether a milestone has been met against pre-defined criteria. The one-off costs of the implementation are currently estimated at £23 million.

The scale and critical nature of the project, and inherent legal and procurement risks, will add further strain to leadership capacity within the Council. Across the Council, projects underway, including R2MS and the SAP replacement, have interdependencies with other strategic priorities for the Council, such as implementing a new pay and grading structure. Council leadership need to balance the numerous demands on both capacity and financial resources to progress each project.

The date of the first phase of implementation for the new pay and grading structure clashed with the original implementation date of Oracle Fusion. The Council reviewed the timetable for implementation of the new finance system, recognising that both projects implementation need to be at separate times given the interdependencies between these and the significant additional risk that would result by running both implementations together. The ERP Replacement Steering Group agreed a plan to deliver a single wave live date for all Oracle solution functionality of April 2028.

The implementation of a new finance system represents a significant opportunity, as well as risk, for the Council. The current system has been in place for over 20 years and therefore implementing a new system will be a significant change for staff which will require careful planning as staff adapt to new ways of working. New systems present opportunities for more robust controls and efficient processes to be adopted. Specifically, we highlight that a number of our historic control observations should be addressed by the new system.

The Council's Finance, Audit and Scrutiny Committee has experienced turnover over the last 18 months

The Council's Finance, Audit and Scrutiny Committee ('FASC') has experienced several changes in membership during the last 18 months, including three changes of Chair. This level of turnover is greater than would typically be expected within a local authority

The Council requires that an annual assessment of the work of each Scrutiny Committee is carried out to assess the effectiveness of the working of the Committee and to assess any training needs of members and officers. The assessment is carried out by the relevant Convener in years 1 and 2 and an independent assessment will be carried out in year 3 and every third year after.

An independent assessment of the Committee was reported in June 2026 and performed by the Divisional Director of NRS for Property, City Deal & Major Projects and the Head of Sustainability for NRS. This assessment concluded that the Committee is operating effectively with no major areas of concern identified. However, 4 observations were noted:

- While attendance at committee using hybrid arrangements is good, in person attendance at committee meeting was low.
- The level of relevant questioning of officers by members could be improved.
- At times, it has been observed that some questions are not related or pertinent to the content of the papers or presentations.
- Consideration of whether the question and answer paper that forms part of the papers (where questions that could not be answered at the previous committee are responded to), has been observed as directing attention away from the core agenda items.

This assessment is consistent with our own views and we believe there is scope for the committee to enhance the scrutiny provided.

In 2024/25, we recommended that members and officers work together to ensure that an appropriate training programme for members is in place to support members in performing their roles. In March 2026, a training session was held however only four members of the Committee attended the training. A subsequent session was held in August 2026 with improved attendance noted. This should be a continued area of focus for members and officers moving forward.

Improvements in respect of City Building's performance management arrangements are ongoing.

The Council has a significant number of subsidiary and joint ventures who support the delivery of the Council's strategic objectives.

Within the Group and Council's AGS, a significant governance matter was followed up on in respect of City Building performance management. An unsatisfactory internal audit opinion was issued during 2024/25 due to the absence of a formal performance management framework and the identification of issues relating to the underlying repairs workflow and data accuracy. Management have agreed and implemented a performance management framework with work ongoing in respect of the underlying repairs workflow and data accuracy.

The Council has governance arrangements in place to oversee the 'Council Family'

Local authorities have a statutory responsibility to comply with the Accounts Commission/COSLA Code of Guidance on funding external bodies and "following the public pound".

The Council maintains a number of Arms Length External Organisations (ALEOs) as individual legal entities, either constituted as a Limited Liability Partnership (LLP) or a company, some with charitable status. The Council also maintains a number of other group entities.

The Council's ALEOs and other group entities operate their own governance frameworks and Boards. The Council has established arrangements to govern its relationship with the ALEOs and other group entities to ensure that services that are delivered for the Council or on its behalf continue to be effective and to hold ALEOs to account for delivery of these services.

The ALEO Governance Framework sets out the annual programme of reporting, including how each ALEO aligns to one or more of the grand challenges within the Strategic Plan and is based on the contractual arrangements that specify the services to be delivered by the ALEOs.

The Council adopts different review and monitoring arrangements for each Group entity, taking into account the legal structure. Recognising the matters identified at SEC in recent years and that monitoring arrangements in respect of SEC differ to other Group, we recommended in 2024/25 that the Council reviewed their approach to ensure it remained appropriate and effective. A new monitoring approach is currently being embedded as a result with the Executive Director of Financial Services receiving updates after every Board meeting. Further engagement with SEC is currently underway to ensure that information on key matters is shared proactively with the Council in a timely manner.

The Council reports on corporate risks on a six-monthly basis, which incorporates strategic ALEO risks

The Finance and Audit Scrutiny Committee consider a report on the corporate risk register every six months. The Corporate Leadership Team also regularly review the corporate risk register and during 2025/26 reviewed the risk policy and appetite statements as well as a detailed outline of risk categories and their associated risk appetite levels.

The Corporate Risk Management Forum, an officer led group, is responsible for reviewing and updating the corporate risk register ('CRR'). The most recent update in June 2026 identified 10 very high rated risks, including:

- fiscal uncertainty;
- the impact of the rising cost of living;
- ICT security;
- failure to successfully implement Pay and Grading Scheme;
- failure to fulfil duty of care to children and vulnerable adults; and
- significant industrial action.

Each quarter, the Risk Management Forum selects one risk from the CRR for in-depth review. This is designed to ensure that the description and focus of each risk remains appropriate, it is assessed appropriately, and all mitigating actions are identified.

The current reporting to Finance and Audit Scrutiny Committee includes an abbreviated version of the CRR alongside a narrative report which sets out activity during the period, the very high rated risks and any risks which have had a material change since the last reporting date. There is scope to enhance the risk management reporting to members to support greater scrutiny of risk management actions. The current abbreviated version of the CRR reported to Committee contains the risk title, residual risk score, alignment to the strategic plan, any changes and previous scoring for the previous two years. Currently, no detail is provided on what actions are being taken to manage each risk and what further actions are planned. We recommend that the Council review current risk management reporting to Committee to ensure it aligns to best practice and supports member scrutiny (refer to recommendation 41, Appendix E).

The Council has failed to meet its statutory duties in the handling of Subject Access Requests

In October 2024, the Information Commissioner's Office ('ICO') issued and published a formal reprimand in relation to the Council's failure to meet its statutory duties in the handling of Subject Access Requests ('SARs') and served an assessment notice on the Council. A compulsory audit of the Council's handling of SARs was undertaken in December 2024. Recommendations from this audit, with one exception, have been implemented. The Council remains subject to ICO monitoring with regular updates presented to the Finance and Audit Scrutiny Committee setting out actions being taken to improve compliance.

Following the Section 102 report in respect of senior officer exit payments, the Council has continued to take forward improvement actions

In September 2025, the Accounts Commission and Controller of Audit issued a Section 102 report in respect of the senior officer exit payments reported on as part of the 2023/24 Annual Audit Report. A number of areas of improvement for the Council to take forward were identified from the Commission, the 2023/24 annual audit report and the Brodies LLP report into the matter.

Management have subsequently developed enhanced governance arrangements, procedural changes and updated the Council's Scheme of Delegated Functions to address the issues highlighted by the three reports. An update on the actions arising from the S102 report was presented to the Finance and Audit Scrutiny Committee in March 2026.

During 2025/26, internal audit conducted a review of the Scheme of Delegation within the Council. The scope of the audit considered:

- The Corporate and Service level Scheme of Delegated Functions and associated documents.
- Functions conducted under the schemes.
- Audit trails to support functions conducted under the schemes.
- Training arrangements.

The review concluded that the control environment is satisfactory with no recommendations identified.

A review of culture was undertaken in 2025/26, using the Improvement Service's Culture Checklist 2025. The checklist asked staff, who were currently a member of a Service or ALEO management team, a series of questions covering leadership, people, collaboration, learning and listening and ethics and governance. The outputs have provided the Corporate Leadership team with a baseline of the current culture. Two development sessions have been held for those who were invited to complete the checklist in June and August 2026. The first session focused on the future culture and in particular, behaviours for the council of the future with the second session focusing on behaviours and competences.

Our 2023/24 Annual Audit Report raised 4 recommendations in respect of exit packages which have been aligned to the Commission's findings. One recommendation was closed in 2024/25. We completed follow-up work on the remaining three recommendations in 2025/26 and concluded that these could also be closed. At the heart of the actions was culture which will be a longer-term matter for the Council to address. The Council has continued to respond in an open and transparent manner to the findings. We further recognise that in respect of restructuring, the Council will only be able to demonstrate clear progress when these occur. While there are currently no plans for significant restructuring, it is important that these findings are appropriately considered when future restructuring does occur at the Council.

Use of Resources

We consider the Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our overall assessment: Red

The Council has been unable to demonstrate compliance with statutory performance requirements, including the new SPI direction which came into effect from 1 April 2025 for the last four years. The Council improved the timeliness of the publication of their Annual Performance Report by publishing the 2025/26 report in September 2026. The format and content of the annual performance report however remains consistent with prior periods where we had previously highlighted that it focuses on positive developments that have been achieved since the adoption of the Strategic Plan, rather than the balanced reporting expected within Best Value guidance.

The Council updated its Strategic Plan to reflect emerging commitments and priorities in October 2024. The Operational Performance and Delivery Scrutiny Committee has approved the Council's approach to reporting performance against the Strategic Plan. The Council hoped to introduce a Performance Dashboard to support member scrutiny, but system limitations have meant that this has not been progressed. The significant number of actions identified to respond to each of the Grand Challenges makes an overall assessment of progress and outcomes difficult for both elected member scrutiny, and public performance reporting.

The Council has developed a wider Performance Improvement Programme, taking into account the complexity and breadth of performance reporting requirements across the Council. The focus is on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes ongoing work with community planning partners on the Glasgow Community Planning Partnership Impact Framework and participation in the Improvement Service's National Self Evaluation Framework pilot. The Council's performance against the Local Government Benchmarking Framework continues to highlight areas of good performance, although 37% of indicators declined over the reporting year.

The Council's Climate Plan 2026-2030 was approved by the City Administration Committee in March 2026 following consultation and continues to set an ambitious target for the City to become a net zero carbon city by 2030. Recognising the financial challenges facing the Council, the affordability in respect of the individual actions required to deliver this need to be critically assessed.

The Council approved the Strategic Plan in October 2022

The Council's Strategic Plan 2022-27 is mission-based and seeks to address four grand challenges for the City:

- Reduce poverty and inequality in our communities.
- Increase opportunity and prosperity for all our citizens.
- Fight the climate emergency in a just transition to a net zero Glasgow.
- Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities.

Our work on the Best Value Thematic Review in 2022/23 focused on strategic planning and noted that the commitments within the Strategic Plan are intended to be stretching but that a review process is in place to consider and update the plan to reflect emerging priorities and pressures. The first review took place in October 2024 which is considered below.

The Council has a wide variety of strategies and plans including economic, investment and asset strategies. There is not full alignment between individual plans with the Strategic Plan or medium- or long-term financial plans.

The Council refreshed the Strategic Plan in October 2024

The Council's review process is intended to provide an opportunity to reflect emerging pressures and commitments. The first review of the Strategic Plan was approved in October 2024 and there are now 244 individual commitments to be actioned in the period.

The Operational Performance and Delivery Scrutiny Committee ('OPDSC') is responsible for scrutiny of progress against the plan, although individual policy committees also consider actions relevant to their agendas. Progress reporting is based on a Performance Manual template which has been refined and agreed with OPDSC, most recently in August 2026.

The nature of the commitments mean that the reporting to committee encompasses primarily operational actions. To date, reporting to the OPDSC has focused on individual missions underpinning the four Grand Challenges outlined in the Strategic Plan. However, the number of actions identified under each commitment means that the reporting is at a level that does not fully support elected members in scrutinising overall progress or outcomes against the challenges identified in the Strategic Plan.

In our 2022/23 Best Value reporting, we reported that the Council had plans to develop a Performance Dashboard, which would support scrutiny and oversight by elected members. The plans were unable to progress as a result of system limitations, which was reported to the OPDSC.

The Council is taking forward a wider Performance Improvement Programme, taking into account the complexity and breadth of performance reporting requirements across the Council. The focus is on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes ongoing work with community planning partners on the Glasgow Community Planning Partnership Impact Framework and participation in the Improvement Service's National Self Evaluation Framework pilot.

The ability to summarise progress against the overall Strategic Plan priorities remains an area for further focus for the Council to support the delivery of tangible outcomes against the Grand Challenges identified in the Strategic Plan. Refer to recommendation 12, within Appendix E.

The 2025/26 Annual Performance Report was published in September, representing the earliest publication of the report since 2020/21 however compliance with the Statutory Performance Information Direction was not achieved.

All councils have a responsibility, under the duty of Best Value, to report performance to the public. The Accounts Commission has a statutory duty to direct councils to publish information that will:

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

The Accounts Commission issued a revised Statutory Performance Information Direction in December 2024, which applies for 2025/26 for the first time. The updated Direction requires that the Council's public performance reporting should be sufficient to demonstrate:

- how they are working with partners to achieve local shared outcomes;
- how they are responding to the needs of their local communities;
- how they are learning from best practice elsewhere;
- what factors are impacting on their performance;
- how they are using data to inform decision-making; and
- how they measure success.

The annual performance report is a key document that enables the Council to demonstrate its impact on local communities as well as areas for further development. Since our appointment, the Council has published their public performance report significantly after the year end with the exception of 2025/26 where an improvement in timeliness of publication has been noted:

- 2022/23: not published.
- 2023/24: January 2025.
- 2024/25: April 2026.
- 2025/26: September 2026.

The Council's Annual Performance Report 2025/26 was presented to the Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee on 24 September 2026. We previously reported that the content of the annual performance report focuses on the positive developments achieved since the adoption of the Strategic Plan. We highlighted that the current format of the report did not fully meet the expectations set within the current or future SPI Direction and Best Value Statutory guidance. Public performance reporting should provide a balanced view of performance, reflecting financial or other challenges to deliver key priorities.

The format of the 2025/26 annual performance report has remained consistent with prior periods, despite the new Statutory Performance Information Direction 2024 applying for the first time in 2025/26. Our previous findings therefore remain applicable.

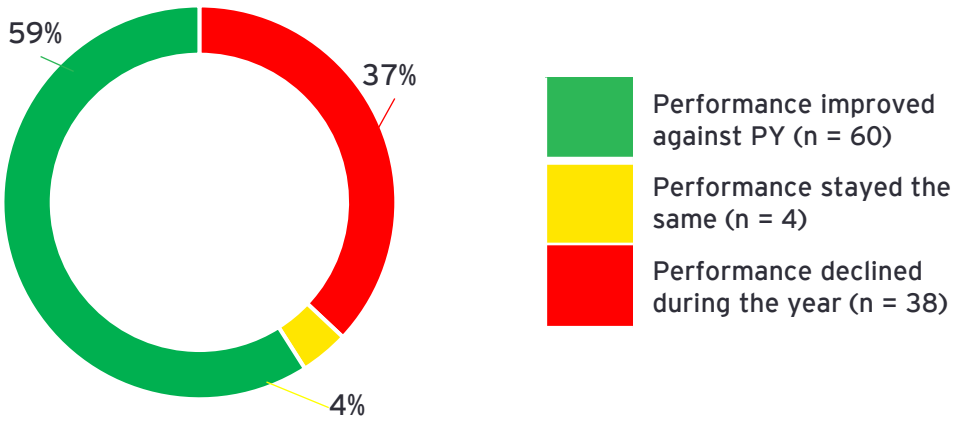
We previously recommended that the Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance requirements (refer to recommendation 9, Appendix E). The Council has assessed this recommendation as partially complete. As a result, we have been unable to conclude in the last four years of our appointment that the Council is compliant with statutory performance requirements, including the new SPI direction which came into effect from 1 April 2025. The Council should ensure that a thorough self-assessment is performed against the SPI Direction to allow them to demonstrate compliance and any areas for further development.

The Council's performance against the Local Government Benchmarking Framework continues to demonstrate varied performance

In May 2026, the OPDSC considered an overview of the Council's performance against the suite of measures reported by the Improvement Service as part of the Local Government Benchmarking Framework (LGBF) for the most recent year subject to analysis, 2024/25.

Overall, as Exhibit 12 highlights, performance was mixed but 37% of indicators declined year on year in 2024/25 compared to 38% of indicators in 2023/24. This included 100% of satisfaction indicators (2023/24: 100%), and 45% of cost indicators (2023/24: 50%).

Exhibit 12: 59% of the indicators used to benchmark Glasgow City's performance against other local authorities improved on the prior year in 2024/25



Source: Glasgow City Council Local Government Benchmarking Framework 2024/25

As in prior years, the Council's reporting to elected members on the OPDSC focused on the indicators within the top and bottom quartiles. The Council report that for 21 (21%) of the indicators, the Council performs in the highest quartile of all Scottish councils.

These indicators include:

- The level of sickness absence days per teacher where Glasgow ranks 2nd nationally and represents a 12.2% reduction in teacher sickness absence compared with the previous reporting period.
- The proportion of people earning less than the living wage, where Glasgow has the second lowest percentage of people at 10.4%.
- Self-directed support spend on adults as a percentage of total adult social work spend where Glasgow is the second highest placed local authority and currently spends around 5% more on this area than the Scottish average.
- Glasgow ranks first in respect of the amount of carbon dioxide emission per capita in tonnes. Glasgow's emission measured 2.86 compared to a national figure of 4.04.

For 28 (27.5%) of the indicators, Glasgow performs in the lowest quartile of Scottish councils. These include:

- Uncommitted general fund balance as a % of council annual budgeted net revenue where the Council is ranked 28th.
- Actual outturn as a percentage of budgeted expenditure where the Council is ranked 29th.
- Cost per attendance at sports facilities where Glasgow has the second highest cost at £6.88 compared to a Scottish average of £3.77. Glasgow's costs however have been on a downward trend for four successive years.
- Glasgow is ranked 26th nationally in respect of adults satisfied with local schools, with 65.5% of adults satisfied compared to the national average of 69%.

The Council's analysis highlights that the performance is impacted by the specific demographic and other factors that uniquely impact Glasgow. For example, areas where the Council is in the bottom quartile include the net cost of street cleaning, which is impacted by the number of large scale and sporting events hosted in Glasgow.

Since early 2025, the Council has been working with the Improvement Service to better understand a specific series of benchmarking indicators, specifically those which are areas of poorer performance or outlier indicators and areas where Glasgow's ranking has been consistently within the lowest quartile.

The Council's Climate Plan 2026-2030 was approved in May 2026 following consultation

Glasgow's Climate Plan was approved by the City Administration Committee in June 2021. The Climate Plan demonstrated a city-wide approach to addressing the climate and ecological emergency and included an ambitious target for the City to achieve net zero emissions by 2030. Annual updates on the plan have been presented to the Net Zero and Climate Progress Monitoring City Policy Committee.

Glasgow's Climate Adaptation Plan was approved by the City Administration Committee in June 2022. The Adaptation Plan was designed to sit alongside the Climate Plan to help build capacity of Climate Adaptation and raise the profile of adaptation action in the City.

The Council's Climate and Sustainability Board determined in November 2023 that due to influences at that time, a full review of the Climate Plan was to be undertaken and it was agreed that this would take place in 2025. The updated Climate Plan was presented to City Administration Committee in December 2025. The plan was then subject to a period of consultation before it was approved by the City Administration Committee in May 2026.

The key revisions in the Climate Plan include:

- Accessibility has been a key focus with a quick guide version created to ensure it is accessible to everyone.
- Articulation of the wider benefits that can result from delivery of climate action.
- In line with Scottish Government guidance and to ensure statutory duties are incorporated, the Plan now covers both mitigation and adaptation activity. It also identified if actions should be influenced or delivered by the Council, or delivered by external bodies, citizens and visitors of Glasgow.
- The plan will be measured against a Carbon budget for the first time, developed from data used to develop Glasgow's Net Zero Route map. This budget will provide annual carbon emission targets required to be met if the City is to stay on course to meet the projected pathway set out in the route map.

The revised plan acknowledges the financial challenges in bringing about the scale and pace of transformation required to reach the target for Net Zero Carbon by 2030. There is an improved understanding of the costs in respect of mitigation activity however there is still a need to identify and access the funding for the delivery of many aspects of the climate plan. Recognising the financial challenges facing the Council, the affordability in respect of the Council owned individual actions required to deliver this needs to be critically assessed.

Best Value considerations

Under the June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. This work includes reviews based on annual thematic Best Value topics prescribed by the Accounts Commission (the Commission).

For 2025/26, the Accounts Commission directed auditors to report on the Council's approach to asset management. Our key conclusions against the work programme set are outlined in Exhibit 14.

Over the course of our five-year appointment, we will consider each of the Best Value themes (including leadership, partnerships, working with communities, sustainability and fairness and equality) as part of our annual work. There is an expectation that equalities will be advanced through the audit process, and that we will therefore carry out work on the Fairness and Equality characteristic at least once during the audit appointment. This work will be performed as part of our 2026/27 audit.

Our assessment in 2025/26 reflects the work conducted to support our wider scope responsibilities and developed throughout our appointment. Our consideration therefore includes:

- documentation review and fieldwork interviews with senior officers;
- our consideration of the Council's financial planning processes including the most recent financial outlook report and budget monitoring reports;
- the Council's governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- our assessment of performance reporting to the Council and public; and
- the Council's arrangements to align key plans and strategies with the Council's Strategic Plan and four grand challenges.

The Accounts Commission requires the Controller of Audit to report on each council at least once over the five-year audit appointment on the Council's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. The Controller of Audit reported on the Council's progress against Best Value in August 2026.

The Commission made 5 findings following consideration of the report which were published in September 2026. The report and findings will be considered by the Finance and Audit Scrutiny Committee in November 2026 and Council in December 2026.

Due to the timing of publication of the findings, there has been limited time for the Council to progress them and therefore it has not been possible to fully perform follow up work on the findings as part of the 2025/26 audit. Follow up on progress in addressing these findings will be performed as part of the 2026/27 audit. The findings are included in Exhibit 13.

Exhibit 13: The Accounts Commission made 5 findings in respect of the Council in September 2026, following consideration of the Controller of Audit's report on Best Value in Glasgow City Council.

1. Failure to agree a sustainable pay and grading structure by 1 April 2027 will mean ongoing financial uncertainty and risk, and will ultimately affect services and outcomes for communities. We consider that officers, elected members and trade unions share responsibility for ensuring this target date is achieved. We request that the Controller of Audit keeps the Commission informed of any significant developments in relation to this key milestone and on financial implications.
2. While the council has a strategic plan, it is not supported by aligned strategies, nor is it underpinned by detailed medium-term financial planning. This limits transparency regarding the scale of the challenges facing the organisation, the choices available to members, and the implications for communities. We expect the council to prioritise the following over the next 12 months:
    - More detailed financial projections and stronger scenario planning in relation to addressing the risks that are already known.
    - Clearer alignment between financial plans, strategic priorities, and required actions.
    - Better quantification of the financial and non-financial benefits of transformation.
    - Greater transparency and engagement regarding risks, assumptions and performance.
3. Given the Commission's statutory role, we are concerned that the auditor was unable to provide assurance to the Commission and the public that the council is demonstrating Best Value through its governance, performance management, and financial planning and reporting arrangements. While some improvements have been made, the council needs to maintain momentum in strengthening its governance, performance management and financial planning and reporting arrangements. The council must prioritise and deliver the improvement actions identified by the auditor in these areas.
4. We expect elected members to play a key role in providing constructive challenge, ensuring robust oversight of performance, risk and financial sustainability. This is especially important given the scale and complexity of the challenges facing the council.
5. It is disappointing that the auditor concluded that the council did not comply with the Commission's Statutory Performance Information Direction. The Direction requires councils to publish balanced performance information that enables communities to compare performance over time, track improvement and assess council transparency. We look forward to receiving assurance that this matter has been addressed for 2025/26 and that full compliance is being achieved.

Source: Accounts Commission and Controller of Audit report on Best Value at Glasgow City Council, September 2026

The Council must improve arrangements in respect of performance management and financial planning and reporting arrangements in order to fully demonstrate that it has the key elements needed to deliver Best Value

The Council's Strategic Plan 2022-27 sets outs four Grand Challenges and 244 individual commitments to be actioned in the period, of which one year now remains. We continue to highlight the need to strengthen reporting on progress against the Strategic Plan priorities, providing clearer evidence of tangible outcomes against the Grand Challenges.

The Council is taking forward a wider Performance Improvement Programme, which reflects the complexity and breadth of performance reporting requirements. The focus is on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes ongoing work with community planning partners on the Glasgow Community Planning Partnership Impact Framework and participation in the Improvement Service's National Self Evaluation Framework pilot.

The Council currently does not have established longer term financial planning arrangements, but the latest high-level projections set out a combined net budget gap of £170.2 million for 2027/28 and 2028/29 based on the higher estimate for homelessness costs. The Council faces a number of significant financial challenges in the coming years including responding to homelessness pressures and implementing a new pay and grading structure. The Council's reserve levels have improved however further work will be required to ensure this is sustainable. The Council's Budget Support Fund was exhausted by 31 March 2026 and for 2026/27, the Council obtained permission from Scottish Government to vary the conditions on the use of General Capital Grant in 2025/26 to fund the estimated cost of the overspend on homelessness.

The Council recorded a net underspend of £1.07 million in service expenditure, the first time an underspend has been reported since 2018/19 and a significant improvement on the £45.7 million overspend reported in 2024/25. In November 2026, the Council reported its probable outturn forecast which showed an overspend of £9.1 million for 2026/27. Recognising the cost pressures faced by the Council, a continued focus on both the accuracy of the budget and control of cost pressures will be required.

As part of the 2025/26 audit, we identified [17] audit differences, and 24 recommendations remain open or in progress. While progress has been made with 17 prior year recommendations closed, the volume of open recommendations remains significant and the pace at which historic recommendations are addressed needs to continue to improve. While the internal audit opinion for 2025/26 is improved, significant issues continue to be disclosed in the Council's annual governance statement. Management should ensure that sufficient focus is given to implementing audit recommendations on a timely basis. This is in the context of a challenging future agenda for the Council in the medium-term including the implementation of pay and grading and a new ERP system.

Overall and in line with our previous assessment, we concluded that Council's performance management and financial planning and reporting arrangements require further improvement to allow the Council to demonstrate the delivery of Best Value.

Exhibit 14: Key findings from our 2025/26 Best Value Thematic Review on the Council's approach to asset management

- The Council's Corporate Asset Management Framework ('the Framework') covered the three-year period 2021-2024 and is therefore overdue for review. The Framework recognises the complexity and scale of the Council's asset portfolio. The Framework was published before the Council's current strategic plan and therefore was not drafted to align to the Council's four grand challenges as set out within the Council's Strategic Plan 2022-2027. The Council should ensure that the Corporate Asset Management Framework is updated and then subject to regular review by an appropriate Committee at an agreed frequency to ensure it remains fit for purpose and aligned to Council activities.
- The Council has established governance arrangements that support asset management and capital planning. A Capital Programme Board oversees the management and delivery of the Capital Investment Programme. The terms of reference for the Capital Programme Board have not been updated since 2020 and therefore should be updated to ensure they remain fit for purpose and reflect accurately current arrangements. Formal reporting arrangements ensures regular oversight, with quarterly reporting to City Administration Committee and Finance and Audit Scrutiny Committee.
- The Corporate Asset Management framework noted the intention to establish a 'Corporate Asset Performance Report' however this was never produced. Our review of individual asset plans also noted that performance reporting against plans was inconsistent. It is important that the Council establish a clear performance management framework for assets both at a strategic level and ensuring that there is consistency at an operational level.
- The Council demonstrates a collaborative and partnership-led approach to asset management, with asset plans and strategies embedding engagement with community planning partners, stakeholders and external organisations to align investment decisions with local needs and priorities. A key focus has been ensuring that some investment decisions can be taken directly within communities such as through the Neighbourhood Infrastructure Improvement Fund whereby the Council allocated £1 million to each of the city's 23 wards. There has been mixed use of the Fund across Area Partnerships and some challenges experienced in respect of administration of the Fund. It is important that the Council perform an exercise to assess whether the Fund has operated as intended, the challenges encountered and how these could be avoided for future schemes and whether the Fund has delivered the intended outcomes.

Source: Glasgow City Council Best Value Thematic Review 2025/26, September 2026



Appendices

- A — Code of audit practice: Responsibilities
- B — Independence report
- C — Required communications with the Finance, Audit and Scrutiny Committee
- D — Timeline of communications and deliverables
- E — Audit recommendation action plan
- F — Adjusted and unadjusted audit differences
- G — Audit fees
- H — Additional Audit Information
- I — Group audit scope

A Code of audit practice: Responsibilities

Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

A Code of audit practice: Responsibilities continued

Maintaining a sound financial position

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- Such financial monitoring and reporting arrangements as may be specified.
- Compliance with any statutory financial requirements and achievement of financial targets.
- Balances and reserves, including strategies about levels and their future use.
- How they plan to deal with uncertainty in the medium and longer term.
- The impact of reporting future policies and foreseeable developments on their financial position.

Responsibilities for best value, community reporting and performance

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- The quality of its performance of its functions.
- The cost to the body of that performance.
- The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- Efficiency.
- Effectiveness.
- Economy.
- The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

A Code of audit practice: Responsibilities continued

Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are:

- to audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- Satisfy themselves, by examination of the accounts and otherwise, that:
  - The accounts have been prepared in accordance with all applicable statutory requirements.
  - Proper accounting practices have been observed in the preparation of the accounts.
  - The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

B Independence report

Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in January 2024, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged for the provision of services during the period, analysed in appropriate categories, are disclosed.

Required communications

Planning Stage

- The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- The overall assessment of threats and safeguards.
- Information about the general policies and process within EY to maintain objectivity and independence.

Final Stage

To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.

Details of non-audit/additional services provided and the fees charged in relation thereto.

Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.

Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.

Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.

An opportunity to discuss auditor independence issues.

We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of Glasgow City Council.

C Required communications

We have detailed below the communications that we must provide to the Council.

		Our reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) – audit to be undertaken in accordance with the Code of Audit Practice.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan – June 2026
Reporting and audit approach	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan – June 2026
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures. ▸ Significant difficulties, if any, encountered during the audit. ▸ Significant matters, if any, arising from the audit that were discussed with management. ▸ Written representations that we are seeking. ▸ Expected modifications to the audit report. ▸ Other matters if any, significant to the oversight of the financial reporting process. ▸ Findings and issues regarding the opening balance on initial audits.	This Annual Audit Report – November / December 2026
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements.	This Annual Audit Report – November / December 2026

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you When and where
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation. ▸ The effect of uncorrected misstatements related to prior periods. ▸ A request that any uncorrected misstatement be corrected. ▸ Corrected misstatements that are significant. ▸ Material misstatements corrected by management.	This Annual Audit Report – November / December 2026
Fraud	▸ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist. ▸ A discussion of any other matters related to fraud.	This Annual Audit Report – November / December 2026
Internal controls	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report – November / December 2026
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	This Annual Audit Report – November / December 2026
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Annual Audit Plan and this Annual Audit Report.

C Required communications (cont.)

Required communications	What is reported?	Our reporting to you When and where
External confirmations	▸ Management's refusal for us to request confirmations. ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	This Annual Audit Report – November / December 2026
Representations	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report – November / December 2026
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off. ▸ Enquiry of the Finance, Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Scrutiny Committee may be aware of.	This Annual Audit Report – November / December 2026
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report – November / December 2026
Auditors report	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report – November / December 2026
Best value and wider scope judgements and conclusions	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report – November / December 2026
Key audit matters	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report – November / December 2026

C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
Group matters	▸ An overview of the type of work to be performed on the financial information of the components. ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components. ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work. ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.	This Annual Audit Report – November / December 2026

D Timeline of communication and deliverables

Audit timetable

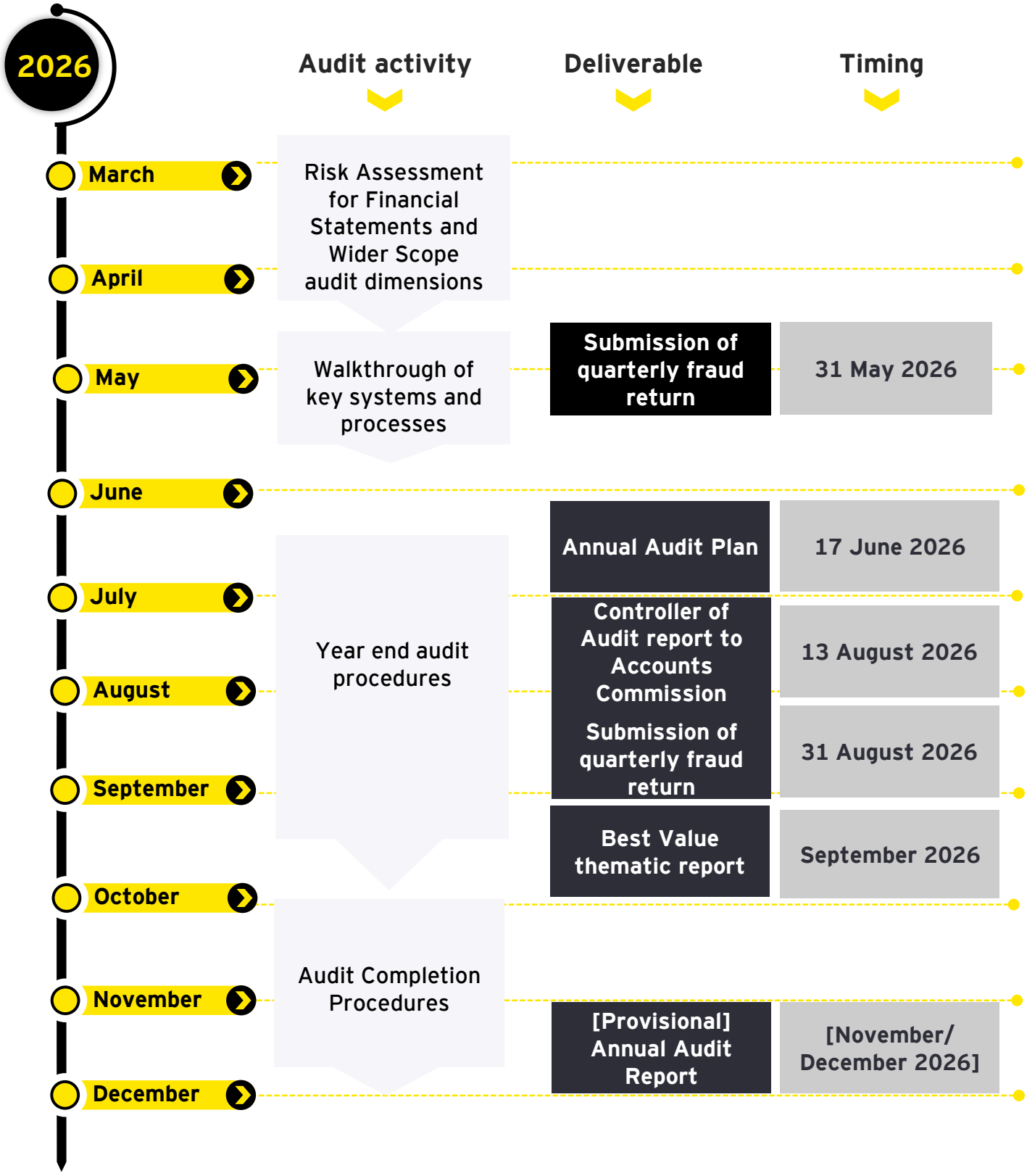
The Group and Council financial statement audits for 2021/22 was completed in April 2023, seven months after the historic statutory deadline of 30 September with a marginal improvement in sign off to March 2024 for 2022/23. For the 2023/24 financial statement audit, the audit was materially complete in March 2025 with signing delayed due to governance matters requiring additional consultations.

Working outside of a 'standard' local government audit timescale creates inefficiencies for management and the audit process. We recognise that the achievement of the 30 September timeline will not be immediately achievable following consecutive years of delayed reporting. The timetable for the 2024/25 financial statements audit initially targeted a completion date of December 2025 however this was revised to March 2026 due to the late provision of the IFRS 16 information. The audit fieldwork in respect of non-IFRS 16 matters was materially complete in October 2025.

We have continued to work with the Council to develop a multi-year plan to return to the 30 September timeline. We have set out below the key reporting dates planned for the next year alongside the 2025/26 key reporting dates. The timetable for 2026/27 will be subject to ongoing review and will be subject to further discussion with the Council finance team.

	2025/26	2026/27
Audit plan to FASC	June 2026	March 2027
Annual audit report to FASC	November 2026	September 2027
Annual audit report to CAC	December 2026	September 2027

D Timeline of communication and deliverables continued



E Action Plan Summary

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report and raised in prior year audits. We grade these findings according to our consideration of their priority for the Council or management to action. Progress against prior year recommendations was assessed between September and November 2026.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Consequently, management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

Audit recommendation status

Scope	Grade 1	Grade 2	Grade 3	Total
Open recommendations as at March 2026	19	14	1	34
Completed recommendations	(8)	(8)	(1)	(17)
New recommendations	2	5	0	7
Total open recommendations as at November 2026	**13**	**11**	**0**	**24**

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Action Plan

No.	Findings and risk	Recommendation / grading	Management response Implementation timeframe	EY Conclusion/ response
1.	**Financial statement timetable** The Council has been working on a delayed financial statement and audit timetable for the last 4 years. The focus for future years is returning to a timetable in line with the statutory requirements however this will require a multi-year plan.	Management should ensure that a realistic timetable for both financial statement production and the audit are developed. This should ensure that there is sufficient capacity within the finance team to support this alongside business as usual activities. Grade 1	**Response March 2024:** The Council will work with EY to agree the timetable for the 2023-24 accounts and audit process. This will inform the resource requirements to meet the audit. **Response March 2025:** The financial statement production timetable has been updated in line with normal practice and production deadline achieved. The audit timetable has been developed in partnership with EY and progressing. **Response February 2026**: The 2025/26 audit is progressing. Current targeting full completion including IFRS 16 for February 2026. **Response November 2026:** The Council completed the 2025/25 unaudited accounts by 30 June 2026 in line with the statutory requirements. The 2025/26 audit process has progressed in line with the agreed timetable of December 2026. **Responsible officer:** Head of Corporate Finance **Revised Implementation date:** September 2027 (previously June 2024)	**Partially complete.** Following delays in sign-off of the 2024/25 financial statements due to implementation of IFRS 16, a revised multi-year timetable to return to a September sign off was agreed. This is targeted for achievement by September 2027. A key milestone will be completion of the 2025/26 audit in December 2026. Throughout this report, we have highlighted specific areas within management's control to ensure delivery by September 2027.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
2.	**Disclosure checklist** As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements. We will continue to discuss good practice as part of our 2022/23 debrief and ongoing engagement with the finance team. We noted that a disclosure checklist was not completed by the Council. While we did not identify any material areas of non-compliance with Code requirements, we did identify a number of areas for enhancements to disclosures.	Management should ensure that the Code amendments are fully reflected, ideally through completion of a disclosure checklist to ensure the financial statements remain Code compliant on an annual basis. Grade 2	**Response March 2024:** The council will continue to ensure that the requirements of the Code are fully reflected in the financial statements and consider the adoption of the checklist in light of best value. **Response March 2025:** Review of Code requirements has been undertaken as part of 23/24 planning arrangements. **Response February 2026:** Review of Code requirements has been undertaken as part of 2025/26 accounts closedown. **Response November 2026:** The Council completed the disclosure checklist in September 2026. The checklist will be completed as part of the unaudited annual accounts for 2026/27. **Responsible officer:** Head of Corporate Finance **Revised Implementation date:** July 2026	**Partially complete.** A disclosure checklist was completed by management in late September 2026, demonstrating an improvement from prior years where no disclosure checklist was completed. Moving forward management should ensure that this is completed as part of the preparation of the unaudited financial statements and shared with audit at the commencement of the audit.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
3.	**Heritage asset existence** Existence testing of heritage assets is performed by museum staff following an internal audit recommendation however this is based on sample of 10 items. Given the volume of the collection, we recommend that this work is extended to a higher number and performed to align with the Council's year end. Specific confirmation of the exercise performed should be provided to central finance to consider as part of the financial statement working papers.	Management should extend their own existence testing performed in respect of heritage assets to ensure the sample size is commensurate to both the volume and value of heritage assets. Confirmation of completion of this exercise alongside a summary of work performed should be provided to central finance. Grade 2	**Response March 2024:** The Council will consider the most effective means to enhance testing procedures and volumes. **Response March 2025:** The review of the 2009 Audit policy has been completed. Remaining steps are in progress with expected date for full implementation being Summer 2025. **Response March 2026:** Programme of existence testing carried out through implementation of the Inventory Action Plan. This consists of a rolling programme with 25% of the display checked each year and is being taken forward through integration to business-as-usual tasks. **Responsible officer:** Head of Museums and Collections **Revised Implementation date:** June 2026 (previously June 2024)	**Complete.** During 2025/26, a program of existence testing was carried out. Information was shared with finance through the year end annual financial statement process. In addition, no issues were identified with respect of existence testing performed by EY. Refer to recommendation 4 for further details on ongoing work to log all heritage assets.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/response
4.	**Heritage asset records** Heritage assets hold significant value both from a financial and non-financial perspective, not just to the Council but to wider stakeholders across Glasgow, Scotland and beyond. Over the last 30 years, significant work has been undertaken to modernise records and ensure consistent records are held for the extensive collection managed by the Council through ALEO, Glasgow Life. The volume of work still required to fully catalogue the collections is significant.	Recognising the significance of the collections and the significant work required to catalogue in a consistent manner, management should have a clear timetable in place for completion of the cataloguing projects which takes into account both resources available and the risks associated with not having a complete collection catalogue. This plan should give due consideration to what level of detail should be held, the costs associated with the project and how and when regular updates to members should be provided. Grade 1	**Response March 2024:** The Council continue to update and maintain its cataloguing of the collections in line with the Collections Documentation Policy and Plan 2024-29. **Response March 2025:** 7 tasks have been identified to support completion of this recommendation with 2 identified as complete and the remainer ongoing. **Response February 2026:** Work ongoing to complete the 7 tasks including approval of the Inventory Action Plan in August 2025. Further work required in respect of Library special collection. **Response November 2026:** Work remains ongoing in line with the agreed implementation date. **Responsible officer:** Head of Museums and Collections **Implementation date:** Ongoing up to 2029	**Partially complete.** Work continues to address this recommendation with 7 steps being identified to support implementation with a range of dates for these to be addressed.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
5.	**Infrastructure assets** The statutory override in place for infrastructure assets was scheduled to end at 31 March 2024 however the Scottish Government has now consulted on extending the override to 31 March 2025. The extension continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.	While there remains some uncertainty around the future accounting requirements for infrastructure assets, the Council should ensure that in line with the Scottish Government request, work is undertaken to address information deficits to ensure timely adoption of the permanent solution. Grade 1	**Response March 2024:** The Council will continue to liaise with other councils, regulatory bodies and the Scottish Government to develop a permanent solution and an appropriate implementation period. **Response March 2025/February 2026** The Local Government Finance Circular 8/2024 has extended the statutory override in Scotland until 31 March 2027. The sector is working on a suitable response to the accounting requirements. Until there is clarity in the requirements from the sector the council will not undertake further work in this area. **Response November 2026:** The infrastructure assets issue impacts all local authorities in the UK. A permanent solution is being discussed at a national level and the Council will ensure any updates are included going forward. The permanent solution will determine what information the Council requires for implementation. **Responsible officer:** Executive Director of Finance **Revised Implementation date:** 31 March 2028	**Partially complete.** The statutory override has been extended until 31 March 2027 and national discussions are ongoing with respect to a permanent solution. The Council will need to continue to liaise with relevant parties and ensure information deficits are addressed.

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E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
6.	**SAP Outage lessons learned** Internal audit have raised concerns regarding disaster recovery procedures in place. These concerns were proven following the SAP system outage where there were repeated challenges in restoring the system. While the Council were able to successfully implement disaster recovery procedures, they should assess any improvements required to procedures and ensure relevant processes are in place.	Management should ensure that appropriate disaster recovery plans are in place which include regular testing of back-ups for key systems. Disaster recovery plans should be reviewed following recent implementation to identify further areas for improvement. Grade 1	**Response March 2024:** Since the SAP outage, CGI has conducted a programme of application back-up and restore testing, across over 100 servers. The Council will continue to progress the development of disaster recovery to support system reliance. **Response March 2025:** CGI has conducted a programme of application back-up and restore testing, across over 100 servers. Work is continuing to progress the development of disaster recovery to support system resilience, and this is also a key focus on the Future of Digital and ICT Services (FICT) project. **Response February 2026:** Following the SAP incident, CGI undertook a programme of back-up and recovery testing across over 100 applications, including SAP. Through contract extension negotiations with CGI, the Council agreed its revised requirements for disaster recovery and back up and a programme of testing has been successfully undertaken. **Response September 2026:** Testing has been performed and, following the commencement of the Computer and Storage service tower in September 2026, a disaster recovery testing programme will be developed and implemented. **Responsible officer:** Head of Strategic Information, Innovation and Technology **Implementation date:** Ongoing and as agreed as part of future IT arrangements	**Partially complete.** While progress has been made including some testing being performed, a routine disaster recovery programme has not been established.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
7.	**Longer Term Financial Strategy** We recognise that three-year budget approved in February 2023 represented a step change in the Council's ability to meet the unprecedented financial pressures and challenges facing Scottish Local Government. The Council has, however, not yet translated the budget into a longer term financial strategy to assess the impact of a number of scenarios on the reserves position, including significant areas of uncertainty such as future income projections, the cost of implementation of the new pay and grading structure, and areas of financial risk such as the ability to deliver all savings in full and the current level of overspend on homelessness services reported by the Council's partner, the Glasgow Integration Joint Board.	There is a need to translate the three-year budget into a longer-term strategy to model the impact of a range of risks both on the Council's reserves and the priorities set out in the Strategic Plan. *Grade 1*	**Response March 2024:** The three-year budget savings approved in February 2023 align to the remaining period of the Council and the Strategic Plan in 2027. The approved savings will result in planned contributions to the Budget Support Fund which was established to support future years' budgets including the management of financial risks. These risks will continue to be assessed and considered as part of future years' budgets. **Response March 2025:** A part of the 2025-26 budget process a Financial Forecast for the period 2025-2028 was undertaken. Due to the levels of financial uncertainty, it is challenging to prepare plans beyond that timeframe however that will continue to be kept under review. **Response February 2026:** A Financial Outlook 2026-28 presented to City Administration Committee on 21/08/2025, with 10 year forecast under development. **Response November 2026:** The August 2026 financial outlook demonstrates the work the Council is doing, in an uncertain environment to consider scenarios – with clearer assumptions, choices, mitigations and service consequences. **Responsible officer:** Executive Director of Finance **Implementation date:** Ongoing as part of annual budget processes	**Partially complete.** Refer to commentary on page 50 onwards in respect of financial sustainability. While the Financial Outlook 2027-2029 demonstrated some progress in future financial planning, a detailed medium-term financial plan remains best practice. In line with the Accounts Commission findings, the Council should prioritise this over the next 12 months.

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
8.	**Monitoring of Investment Programme** The Council has a significant programme of investment, typically spending over £140 million annually. The Council's capital programme supports key investments that will support delivery of the Strategic Plan, and key strands of the three year budget. The Council reports on progress against the investment programme quarterly. The nature of the projects mean that they straddle financial years, but current reporting arrangements do not reflect milestone dates. In addition, the reports are very narrative-based and provide a level of detail that may undermine effective scrutiny.	The Council should ensure that capital monitoring arrangements provide clear and concise reporting against individual programme progress and budgets. *Grade 2*	**Response March 2024:** A review of Monitoring Reports, including capital monitoring, will be incorporated into the next FASC Self-assessment review to seek elected members views on changes to the report which would aid scrutiny. **Response March 2025:** Following the survey results from the Review of Effectiveness work with FASC it was identified that the detailed Investment Programme monitoring papers could be updated to highlight the salient points. **Response February 2026:** A review of the format of the report provided to FASC will be undertaken in light of the feedback from the Committee. **Response November 2026:** A review of the format of this report has yet to take place. This will be progressed alongside other commitments. **Responsible officer:** Director of Financial and Business Services **Revised Implementation date:** December 2026 (original date: December 2024)	**Incomplete.** A review of the format of the report provided to FASC is yet to be performed.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion / response
9.	The Council's performance monitoring arrangements are evolving to reflect the complexity of the Strategic Plan. However, in 2022/23 we were unable to conclude that the Council had fully met its public performance reporting responsibilities under the Account Commission's Statutory Performance Indicators Direction.	The Council should consider its performance reporting arrangements to ensure it is compliant with statutory performance indicators requirements. *Grade 1*	**Response March 2024:** The council planned and co-ordinated a pause of the Annual Performance Plan (APR) in agreement with internal Audit to allow the Strategic Plan to bed in as result of our publicly reported approach; agreed with elected members, to focus on cost of living measures. Following this pause the Strategic Plan will be reported as per schedule in the APR in September 2024. This has been clearly articulated and accepted in the council's Best Value report. **Response March 2025:**The Annual Performance Report was published in January 2025. **Response February 2026:** The format and content is being reviewed for the 2026 edition to take account of updated requirements. Consideration of this is being included in the current independent review of the operational scrutiny committee prior to implementation. **Response September 2026:** Since the recommendation was accepted, the Council has continued to develop its performance reporting arrangements, with this work now being taken forward through a wider Performance Improvement Programme. The Programme recognises the complexity of performance requirements across the Council and is focused on developing a more strategic, outcome-based and proportionate approach to performance reporting. This includes: • the Performance Manual, developed in response to internal audit recommendations in 2023 to support the consistent management of performance processes across the Council family and provide elected members with a clearer understanding of performance information. The Manual also supports members of the Operational Performance and Delivery Scrutiny Committee and is reviewed annually by the Committee • development of the Glasgow Community Planning Partnership Impact Framework, focusing on shared outcomes rather than traditional performance measures. This work also responds to requirements of the Accounts Commission's Statutory Performance Direction relating to reporting on Community Planning and locally agreed outcomes; and • participation in the Improvement Service's National Self Evaluation Framework pilot, which will inform the continued development of more strategic and outcome-based performance reporting. The Council's existing public reporting arrangements, including the Annual Performance Report, continue to provide performance and comparative information while this wider work progresses. Given the breadth and complexity of the Council's performance reporting requirements, this represents a significant programme of work which requires a proportionate and prioritised approach. The recommendation therefore remains partially complete while the Council continues to develop its wider performance reporting arrangements and ensure that these respond appropriately to statutory requirements and emerging national approaches. **Responsible officer:** Head of Corporate Policy and Governance **Revised Implementation date:** Autumn 2027 (Original dates: September 2024 and April 2026)	**Partially complete.** While recognising the ongoing programme of work in respect of performance reporting across the Council, the Council remains not fully compliant with the statutory performance indicator requirements.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
10.	Audit Scotland has highlighted the ongoing threat associated with cyber security across the public sector. We noted that the Council has not yet completed key recommendations relating to cyber security following two internal audit reviews.	The Council must prioritise the implementation of recommendations in relation to cyber security as a matter of urgency. *Grade 1*	**Response March 2024:** The Council continues to work towards completion of the security action plan. **Response March 2025:** Through recent contract extension negotiations, the Council has agreed its requirements for security services. A further recruitment campaign is planned for the Cyber Security Manager post. In the meantime, the Council has enhanced its existing security team through the services of external specialists and work is also ongoing to procure a Security Assurance Services (SAS), that will work with the Council to provide support and advice and re-baseline the security action plan. **Response February 2026:** Through recent contract extension negotiations with CGI, the Council agreed its revised requirements for security services. These have been implemented and are progressing. A further recruitment campaign was completed for the Cyber Security Manager post; however the post remains unfilled. Options are under review about the recruitment of permanent resources in a highly competitive and challenging market. In the meantime, the Council has enhanced its existing security team through procurement of a Security Assurance Service provider to work with the Council to provide support and advice. The SAS provider will undertake a full review of security options and controls and provide recommendations and an action plan. **Response September 2026:** The Council continues to prioritise cyber security and has secured additional resources and expertise and delivered significant enhancements. A review of the security control environment is ongoing and due to report in Q3 of 2026. This will provide a consolidated action plan. **Responsible officer:** Head of Strategic Information, Innovation & Technology/ Head of Internal Audit **Implementation date:** 31 March 2026	**Complete.** In October 2026, internal audit noted that the outstanding cyber security recommendations were superseded. Follow up will be considered as part of production of the 2026/27 annual governance statement.

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E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
11.	The Council has a number of significant strategies and plans that underpin the delivery of the Strategic Plan. However, the plans are not fully aligned to the Strategic Plan and have limited detail about the financial and other resources required to deliver.	The Council needs to ensure that key plans are linked to a medium term financial plan to support delivery. *Grade 1*	**Response March 2024:** Accepted. The Council has recently undertaken a Corporate Governance Review, which outlined a similar recommendation. That recommendation is currently being implemented. **Response March 2025:** In 2025/26 the council took a three-year budget plan approach, which will assist with medium term financial planning, allowing services to consider their longer terms approach for service delivery and likely savings. This approach has already been noted as positive move by service leads. The three-year approach was refreshed in 2025-26. **Response February 2026:** The 2026-28 Budget outlook went to City Administration Committee on 21 August. In order to build upon the previous longer term approach but also to ensure alignment to key plans of the council the Financial Outlook also includes a proposed Public Service Reform and Financial Strategy including a governance structure and monitoring process. The Corporate Leadership Team of the council has recently stated its intention that the development of budget strategy and decision-making alongside public service reform activity will align to provide sustainable services for the future and these new structures will enable this close coordination and monitoring. **Response October 2026:** The Council would acknowledge that there is scope to integrate existing multi-year projections and scenario work more visibly with workforce, assets, transformation and service planning and would intend to take this forward as part of the Strategic Plan of the new Council in May 2027. The August 2026 financial outlook demonstrates the work the council is doing, in an uncertain environment to consider scenarios - with clearer assumptions, choices, mitigations, and service consequences. **Responsible officer:** Head of Corporate Policy and Governance **Revised Implementation date:** Autumn 2027 (Original:31 March 2025 and Autumn 2026)	**Partially complete.**

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response and update	EY Conclusion/ response
12.	The Council has committed to the development of performance reporting, including dashboards to enhance member scrutiny against individual commitments.	The Council should finalise the development of a Performance Dashboard to allow elected members to scrutinise all areas of the Strategic Plan. *Grade 2*	**Response March 2024:** Accepted. The Council has developed and is currently implementing a Performance Management Framework. This will include a series of case studies which are being developed to enhance member scrutiny. This process will also look at the suitability of a number of existing and potential options of how performance information can be presented in the most concise and accessible way. **Response March 2025:** The scope of this work has changed since the Best Value report due to the implementation of a process by the council and Community Planning partners to create a new Performance Management Framework for the new 10-year Community Plan (Local Outcome Improvement Plan). This allows collective resource to be brought together to consider new methods of reporting on performance to better measure impact and outcomes and therefore the development of subsequent tools will now come from this process, which is also being supported by Scottish Government. The first version of the PMF is due to be reported to the Community Planning partnership , chaired by the council, in February 2025. It is proposed that this action is closed and this enhanced partnership working to develop tools to better assist elected member and wider scrutiny is noted. The council has also become a Health Determinants Research Collaboration (funded by the National Institute for Health Research) which provides the expertise and resource to further develop tools to promote the use of evidence and research to promote policy outcomes. This expertise is being used to assist the development of the new PMF. **Response February 2026:** This work continues as part of the implementation of the Performance Management Framework and the current Committees Review. An implementation date will be finalised as part of the milestone and implementation plan of that review and updated in this action plan. **Response September 2026:** Further development is being taken forward through the wider Performance Improvement Programme, including real-time tools such as dashboards and AI-assisted methods to improve access to performance information. This work is being considered alongside wider developments in how performance information is presented and reported, rather than developing the dashboard as a standalone product. The recommendation therefore remains partially complete while these tools and wider performance reporting arrangements continue to be developed. This will help ensure that future arrangements support effective elected member scrutiny of the Council's strategic priorities, including through the development of the next Strategic Plan. **Responsible officer:** Head of Corporate Policy and Governance **Revised Implementation date:** Autumn 2027 (Original: 30 September 2024 and Autumn 2026)	**Partially complete.** While the Council continues to make progress through the wider Performance Improvement Programme, we consider that overall outcomes and progress against the Strategic Plan are not fully understood due to the detailed nature of reporting to OPDSC.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ response
13.	**Developer contributions** The nature of developer contributions means that they can be retained on the balance sheet for many years. While no errors were identified, our procedures did however note that there is an opportunity for the Council to improve the records supporting developer contribution balances in the financial statements which would enable greater checks to be performed on historic balances.	Management should review the current working papers and supporting evidence in place to support developer contributions with a view to improving the ability to analyse the data and more readily identify historic balances or other outliers. A review of historic balances should be performed to determine whether the funds could be utilised or whether they require return. *Grade 3*	**Response March 2025:** The Council will review the current working papers to provide further analysis of balances held and proposed use. **Response February 2026:** All historical contributions documented and reconciled. Full review of commitments to be completed. **Responsible officer:** Head of Corporate Finance **Revised Implementation date:** 31 March 2026 (Original 30 September 2025)	**Complete.** A review of historical contributions has been documented and reconciled with a review of commitments also being completed. This work will remain ongoing on at least an annual basis and subject to ongoing audit consideration.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
14.	**IFRS 16** IFRS 16 must be adopted by councils from 1 April 2024. The Council should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024. The level of work required in advance of the publication of the unaudited accounts in June 2025 is significant and includes procuring and implementing a new leasing system as well as further data gathering both within the Council and its wider Group entities. There is a risk that the implementation of IFRS 16 could result in delays to the publication of the unaudited accounts or unaudited accounts being published with material errors.	The Council should establish robust arrangements to monitor and record all leases impacted by IFRS 16 across both the Council and Group portfolio. *Grade 1*	**Response March 2025:** The Council has and will continue to engage with services, ALEOs and external advisors to develop our implementation of this standard. Work is ongoing to review existing leases for inclusion in the 2025/26 annual accounts. **Response February 2026:** The council identified relevant leases and engaged with its treasury advisers to provide technical support for the implementation of IFRS16. Unfortunately the required output was not available in sufficient time to reflect the technical requirements within the unaudited annual accounts. As part of the audit process there will be a requirement to comply with IFRS16 and restate assets and liabilities as required. Work is ongoing during the audit process to ensure compliance. **Responsible officer:** Head of Corporate Finance **Implementation date:** Ongoing – to be included in the post audit annual accounts by February 2026 (originally June 2025).	**Complete.** IFRS 16 information was included within the unaudited financial statements for 2025/26, and no material issues were encountered in obtaining supporting evidence through the audit.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
15.	**IT system owners and process arrangements** The Council has a significant number of IT applications and systems which support the production of the financial statements. We encountered a number of challenges in obtaining information with respect of these systems including: • lack of clarity on who the system owner is; • lack of clarity on who owns specific processes relating to systems; and • delays in provision of information to evidence that IT system controls were in operation during the financial year. The Council's IT environment is complicated by third party providers who own aspects of the processes. As the Council both changes its IT delivery model through the FICT project and implements a new ERP system, there will be a greater requirement to map both systems and processes.	The Council should ensure that a clear record of system owners is obtained and regularly updated. This should be supported by records that set out who is responsible for key controls and processes within these systems and that there is sufficient provision within contracts to provide evidence to support audit requirements. *Grade 2*	**Response March 2025:** The Council will create and maintain a record of system owners and a log of evidence required to support audit requirements. **Response March 2026:** Digital services has engaged the business to identify and record IT system owners. Audit requirements are clearly set out in the Council's contracts with Managed Service Providers. **Response September 2026:** Digital services has engaged the business to identify and record IT system owners. A copy of the System Owners list has been shared with the auditor. The maintenance of this list is an ongoing exercise. **Responsible officer:** Head of Strategic Information, Innovation & Technology **Implementation date:** 31 March 2026	**Complete.** A copy of the Systems Owners list has been shared with audit. No material issues with access to systems or owners were encountered during the 2025/26 audit.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
16.	**Exit package and approval documentation** The standard template includes a section to be completed detailing when the departure was approved by the Head of Service, the date of consideration by the Workforce Planning Board and who authorised the request on behalf of the Workforce Planning Board. We noted that in practice these templates were rarely completed to evidence when and who approved the applications, however email evidence was provided to evidence this instead. We further noted that once approved, agreements with employees often included typed names rather than signatures and were sometimes not dated. As noted before, further inquiry resulted in email evidence was available to evidence the employee's agreement to their departure.	Management should review the current operational processes for recording approvals and agreements to early retirements and redundancies. This should include clear guidance on requirements for electronic approvals. *Grade 2* *Aligned to Finding 5 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages*	**Response March 2025:** The Council will review the operational processes for recording approvals and agreements to early retirements and redundancies and will be establishing a Corporate Workforce Planning Board which will oversee the implementation of these recommendations. **Response February 2026:** Changes to processes were implemented in April 2025 including guidance on electronic approvals. The terms of Reference of the Corporate Workforce Board were agreed in October 2025 and the Board met in October 2025. There have been no proposals for early retirement or voluntary redundancy which were required to be considered by the Board. All actions have been implemented and therefore we consider this recommendation to be complete. **Responsible officer:** Director of Communication and Corporate Governance **Implementation date:** 30 June 2025	**Complete.** We have been able to evidence the new process operating during 2025/26.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
17.	**Business case rationale** There will be a need for the Council to implement future restructures, particularly in the context of public sector reform, and it is imperative that the Council can demonstrate appropriate consideration of how any restructure provides value for money including how any restructures support the Council's strategic plan, financial plans and workforce plans.	Management should set clear guidance on minimum expectations for any future restructure papers. This should include at a minimum an outline of how the restructure achieves value for money, what alternatives to early retirement or voluntary redundancy were considered and how the restructure meets the Council's strategic priorities. *Grade 1* *Aligned to Finding 1 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages*	**Response March 2025:** The Council will set clear guidance on minimum expectations for any future restructure papers and will be establishing a Corporate Workforce Planning Board which will oversee the implementation of these recommendations. **Response February 2026:** The terms of Reference of the Corporate Workforce Planning Board were agreed in October 2025 and the Board met in October 2025. There have been no proposals for early retirement or voluntary redundancy which were required to be considered by the Board. **Responsible officer:** Director of Communication and Corporate Governance **Implementation date:** 30 June 2025	**Complete.** While the Council has established the Corporate Workforce Planning Board, there have been no restructuring papers considered yet however we are satisfied that a new process is in place and should any restructuring occur, this will be adopted.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
18.	**Scheme of Delegated Functions and Code of Conduct** The Council are underway in making updates to governance structures and policy in respect of early retirements and voluntary redundancy. A key aspect for the Council to address is how the Council ensures that the Scheme of Delegated functions and Codes of Conduct are applied in practice.	In addition to the planned updates to the governance arrangements and policy documents in respect of early retirement and voluntary redundancy, management should ensure that there is a clear plan in place to ensure that the Scheme of Delegated Functions and Code of Conduct are understood and applied in practice. This should include a training programme, employee communications/reminders and consideration of the requirement for culture audits. *Grade 1* *Aligned to Finding 3 and 6 from the Accounts Commission's Section 102 report on Senior Officer Exit Packages*	**Response March 2025:** As outlined in the covering report to FASC at its meeting on 11 March 2025, the Council is carrying out an internal review of its governance arrangements, including the scheme of delegated functions and will put in place arrangements to enhance and monitor awareness, understanding and application of the Council's governance rules across senior management and leadership teams. This will be extended to include the employees' Code of Conduct, with appropriate training and communication carried out with employees across the Council family. **Response February 2026:** The Scheme of Delegations is now subject to ongoing regular review, overseen by the Council's Monitoring Officer, with proposed changes being subject to a robust governance process with regular reports being taken for discussion at meetings of the Council's Business Bureau and thereafter for approval at meetings of Full Council. Recent changes have been approved at meetings of the Council on 30 October and 11 December 2025. Training on the principles to be applied in relation to applying, monitoring and reviewing the scheme of delegations was provided to the Corporate Leadership team in May 2025. Gold courses on the Scheme of Delegations and the Employee Code of Conduct, both of which have a focus on ensuring that the Nolan Principles are applied and understood has been developed. The GOLD Course on Scheme of Delegations was presented to the Corporate Leadership Team in December 2025 and it was agreed that the launch will be supported by a Corporate Announcement to all staff from the Chief Executive. Both courses were launched in January. Consideration has been given to a culture audit and it was agreed that this should be progressed. This work has now been commenced by Internal Audit. As a result of the actions taken we consider this recommendation to be complete. **Responsible officer:** Director of Legal and Administration **Implementation date: 30 June 2025**	**Complete.** The Council's Scheme of Delegated Functions is now subject to regular review. Training courses on the Scheme of Delegations and Code of Conduct have been launched. The Council issued the Improvement Service's Culture Checklist 2025 to all staff in service or ALEO management teams. The outputs from this exercise provided the Corporate Leadership Team with a baseline of the current culture and discussions have taken place on next steps. A development session was held in June 2026 to discuss the future culture of the council and in particular, expected behaviours of the workforce for the council of the future. This will continue to be considered through our future audit procedures.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
19.	**Best value thematic – Workforce innovation** There is not a single standalone workforce or people strategy that underpins the Strategic Plan or planning over the medium term. This is an expectation under the requirements of the Best value statutory guidance 2020 and would support the Council's response to digital, technological and strategic changes.	There is an expectation that the Council will have a workforce strategy that sets out how it will deliver its vision, priorities and values in the medium term. *Grade 1*	**Response May 2025:** Accepted. GCC will work to consider how this can be achieved taking cognisance of the size and scale of the organisation which will involve a strategic overview spanning the Council and be supplemented by business area plans at a more detailed level, **Response February 2026:** The council wide Workforce Board has been established and Terms of Reference have been agreed by the Corporate Leadership Team. This provides the forum to take forward the appropriate workforce strategy and work is currently underway to align this with the vision, values and priorities associated with Public Sector Reform and locally the Equal Pay Programme implementation currently planned for April 2027. However, we would alert that March 2026 target date is unlikely and this is more likely to be into 2027 and after Pay & Grading Structure implementation. **Response October 2026:** Development of the council-wide workforce strategy continues, aligned to Public Sector Reform priorities and implementation of the new Pay and Grading Structure (PGS) in April 2027. To ensure the strategy reflects the post-implementation operating environment and workforce implications of wider reform activity, completion is now anticipated by December 2027. **Responsible officer:** Head of HR **Revised Implementation date:** December 2027 (original: 31 March 2026 and 31 March 2027)	**Partially complete.**

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20.	**Best value thematic – Workforce innovation** The Council's data highlights significant variation across services in the completion of the Performance Coaching and Review process. Performance discussions are a critical process for any organisation to ensure that employees continue to fulfil their roles effectively and develop throughout their career.	The Council should take steps to improve participation in the Performance Coaching and Review process across the Council. *Grade 2*	**Response May 2025:** Accepted. The Council will continue to strive to improve participation in the PCR process across the Council. **Response February 2026:** For areas in scope records indicate improved mid year returns which sit at 66%. Reporting arrangements are variable however and not complete for other areas – an issue which will be addressed for end of year reports. Additionally, plans are in place to extend the deployment of Performance Coaching Review within wider arena, most notably HSCP. **Response September 2026:** While completion rates continue to vary across services, work has progressed to support wider adoption of the Performance Coaching and Review process. This has included strengthening reporting arrangements and supporting future expansion into additional service areas, with HSCP HR representatives attending a PCR 'train the trainer' workshop in January 2026. Improved reporting arrangements will support more complete end-of-year performance information and oversight. **Responsible officer:** Head of HR **Revised Implementation date:** September 2027 (original: 30 June 2026)	**Partially complete.**

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
21.	**Best value thematic – Workforce innovation** The Council has not completed a survey of the full workforce since prior to the pandemic and there is therefore a risk that employee satisfaction and engagement may not support the aims within the Strategic Plan. Employee surveys provide a way to demonstrate the effectiveness and value for money of key Council investments in its staff.	The Council should develop plans to monitor and track employee engagement, including workforce surveys. *Grade 2*	**Response May 2025:** Accepted. The Council is currently working on a number of employee engagement strategies to gauge the effectiveness of our workforce strategies. **Response February 2026:** As reported in September 2025, a Culture review by Internal Audit has kicked off at leadership level. From a corporate perspective there are no planned council wide employee surveys appropriate at this point in the Equal Pay Programme schedule. This matter will be kept under review and a variety of employee engagement methods and feedback will be incorporated as we work through the implementation period to April 27. **Response October 2026:** Since the previous update, a Leadership Survey has been completed and a Culture Session held in June 2026 for employees in leadership roles. This has led to the establishment of a number of working groups to progress identified themes and cultural priorities. Employee engagement activity remains focused on supporting implementation of the new Pay and Grading Structure (PGS), with a range of communication and feedback mechanisms being utilised. The need for a wider employee survey will continue to be kept under review following PGS implementation. **Responsible officer:** Head of HR **Revised Implementation date:** September 2027 (Original: 31 March 2026)	**Partially complete.**

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
22.	**Common Good fund reporting** The Council maintains a Common Good Asset register on their website in line with legislative requirements, however there is an ongoing exercise to review title deeds to ensure the register is materially complete. While regular updates on the Common Good fund financial performance are reported to the Finance and Audit Scrutiny Committee, we note that updates on the steps taken by the Council to comply with the Community Empowerment Act requirements are not provided.	The Council should ensure that regular updates on the steps being taken to comply with the Community Empowerment Act requirements are reported to the appropriate committee. *Grade 2*	**Response February 2026:** An update will be included as part of the Common Good Fund annual budget update. **Response September 2026:** An update was included as part of the Common Good Fund annual budget update, and this will continue moving forward. **Responsible officer:** Head of Corporate Finance **Implementation date:** 31 March 2026	**Complete.** An update was included as part of the Common Good Fund annual budget update and will continue to be reported moving forward.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
23.	**Use of spreadsheets** The nature of the Council's financial statement preparation arrangements requires significant use of spreadsheets for analysis of high-volumes of data, often with complex formulae. We have noted two errors above our reporting thresholds (£4.1 million and £77.9 million) related to spreadsheets errors in the current and prior year audits. Errors in other working papers were also observed including the cashflow forecast for going concern. While recognising that, for the scale of the Council and considering the wide use of spreadsheets, this is a relatively low number of errors, our assessment is that both errors could have been prevented by robust analytical reviews through quality assurance procedures being performed to understand year on year movements. There is a risk that errors are not identified in a timely manner resulting in inaccurate financial information.	The Council should ensure that robust review arrangements are in place for any spreadsheets used to reduce the risk of errors remaining unidentified. This should include documented analytical review procedures to ensure any year-on-year movements are understood before information is passed to audit. As part of its new ERP project, there will be an opportunity for the Council to review the current areas where spreadsheets are used to determine whether there some tasks could be performed by the new system, with a view to eliminating the significant use of spreadsheets in the production of the financial statements. *Grade 2*	**Response February 2026:** The Council will supplement the existing guidance on completion of annual accounts with reference to spreadsheets. **Responsible officer:** Head of Corporate Finance **Implementation date:** 31 March 2026	**Complete.** The 2025/26 audit did not identify any material spreadsheets errors, and we confirmed that the Council has reshared existing guidance. Improvement opportunities through the ERP project will be considered through recommendation 32.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
24.	**PPP Asset valuations** In respect of one of the Council's schools managed by a PPP provider, we noted that there was a material movement in the valuation arising due to material capital works that had taken place in prior periods. The Council's valuers and finance team had not been aware of the works performed by the PPP provider. This resulted in an adjustment of £8.9 million which should have been reflected in the prior year valuation.	The Council should ensure that confirmation of any capital works performed on PPP and DBFM schools is sought on at least an annual basis and any such works should be considered as part of asset valuations. *Grade 2*	**Response February 2026:** The PPP steering group receives information regarding planned capital works. This will be passed to City Property to ensure the most up to date information is included in valuations. **Responsible officer:** Director of Financial and Business Services **Implementation date:** 31 March 2026	**Complete.** No errors were identified during 2025/26 and additional information was shared to support the valuation process.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
25.	**PPE Valuation review** Our work on PPE Valuations identified a number of material movements in valuations. In addition to the PPP matter noted in recommendation 36, these movements were also caused by reviews of inputs from prior years such as floor areas. The result of these errors resulted in a total error of £2.3 million relating to the prior year. We noted that the finance team had not performed or evidenced their own review of the valuations and particularly the material movements.	We have recommended that a review of asset valuations and year on year movements above an established threshold is performed to ensure management understand the reason for valuation fluctuations before these are passed to audit. *Grade 2*	**Response February 2026:** A note of year-on-year movements will be requested as part of the returns from City Property. This note will be reviewed as part of year end procedures. **Responsible officer:** Head of Corporate Finance/Valuations and Disposals Manager. **Implementation date:** 31 March 2026	**Complete.** A review of year-on-year movements was completed by finance and this helped identify errors before valuations were passed to audit.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
26.	**Fraud policy** The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing or enhancing anti-fraud procedures. The Council has not yet reviewed its existing fraud policy and procedures against the latest Home Office guidance.	The Council should ensure it has reviewed its existing fraud policy and procedures against the latest Home Office guidance with an assessment of compliance reported to the appropriate committee. *Grade 1*	**Response February 2026:** The Fraud Policy is currently being reviewed, and part of this review will include a comparison of the latest Home Office guidance. **Response September 2026:** An updated Anti-Fraud and Corruption Guide was published in August 2026. **Responsible officer:** Head of Audit & Inspection **Implementation date:** 30 June 2026	**Complete.** Updated guidance has been published which takes into account the Economic Crime and Corporate Transparency Act 2023 requirements.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
27.	**Reserves Strategy review** The Council's reserves strategy is for the unearmarked reserves balance to be 2% of net budgeted expenditure in the medium-term. The Council last held reserves in line with the medium-term target in 2020/21 and therefore the Council has not been operating within their reserves strategy. The Council's usable reserves are also at the lowest level since 2018/19.	The Council should ensure that the medium- and long-term financial plans set out a clear approach to ensuring that reserves held are in line with the policy. We would further recommend that the Council reviews its policy to ensure this remains appropriate. *Grade 1*	**Response February 2026:** The reserves strategy will form part of the annual Financial Outlook report to be presented to City Administration Committee. **Response October 2026:** The Council sets its reserves policy as part of the Financial Regulations, Management and Control – A Code of Practice approved by Council. The strategy is reviewed on an ongoing basis and the budget report considered annually sets out the policy on reserves. The council's current policy is to hold unearmarked General Fund reserves to 2% of net expenditure over the medium term. At the end of 2025/26 the unearmarked reserves held were 1.9%. **Responsible officer:** Executive Director of Financial Services **Implementation date:** Autumn 2026	**Complete.** The Council's reserves position has improved and is now close to being in line with policy. This will be subject to ongoing review as part of future audits.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
28.	**Group oversight arrangements** The Council adopts different review and monitoring arrangements for each Group entity, taking into account the legal structure. In recent years, the Council has had to respond to a number of matters at different group entities including City Building and SEC. In response to these, different levels of Council involvement have been adopted, recognising the different legal structures in place. Specifically, with the current oversight and internal group reporting arrangements in place as they are, information relating to the prior period adjustment for SEC was not readily available to the Council and was only available to us through group audit reporting arrangements. There is a risk that the Council are not aware in a timely manner of risks or other matters at Group entities, specifically SEC, that could have a negative impact on the Council's investment or reputation.	The Council should establish and document an oversight and reporting framework that clearly defines the level of scrutiny, information requirements, and escalation routes for SEC, proportionate to its legal structure and risk profile. This framework should ensure that material financial matters—such as prior period adjustments—are identified, reported, and accessible to the Council in a timely manner. *Grade 2*	**Response February 2026:** The Council will formalise its governance arrangements for SEC. **Response November 2026:** The Council has formalised its governance arrangements for SEC. These arrangements are being embedded between the Council and SEC. **Responsible officer:** Executive Director of Financial Services **Implementation date:** 30 June 2026	**Partially complete.** A new monitoring approach is currently being embedded, with the Executive Director of Financial Services receiving updates after every Board meeting. Further engagement with SEC is currently underway to ensure that information on key matters is shared proactively with the Council in a timely manner.

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No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
29.	**Cyber Security arrangements** The Council was impacted by a cyber incident in June 2025 and there have been a number of recent examples of other incidents impacting public bodies which demonstrates the significant risk faced in respect of cyber attacks. The Accounts Commission published a Section 102 report in respect of the cyber attack at Comhairle nan Eilean Siar in November 2025. The report's findings include two specific findings that the Accounts Commission and Controller of Audit urge all councils to consider. We further note that a number of changes are being made to the Council's Digital and ICT Services through the R2MS project.	We recommend that the Council considers its arrangements in light of the June 2025 cyber incident, the Accounts Commission's finding in respect Comhairle nan Eilean Siar and the ongoing changes being made in digital and ICT services. This should include a written assessment of compliance against the latest guidance and any actions required from this assessment. *Grade 1*	**Response:** The Council has completed a detailed lessons learned review across incident response, recovery and business continuity. This included a review of the Accounts Commission's report on Comhairle nan Eilean Siar. These activities have informed an action plan that is progressing. As recommended, a specific written assessment will be prepared. An Internal Audit review of the incident response is also ongoing and will be reported to FASC in due course. **Response September 2026:** Digital Services has considered the Accounts Commission's findings. The internal audit review of the incident has been reported to FASC. **Responsible officer:** For cyber security arrangements - Head of Digital Services For the Internal Audit review – Head of Audit and Inspection **Implementation date:** 31 May 2026	**Complete.** Digital Services have completed a review of the Accounts Commission's findings with no new actions identified as these are reflected already within existing plans and activities. Internal audit's review of the incident response has been presented to FASC and identified actions will be followed up as part of standard follow up process.

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30.	**Finance and Audit Scrutiny Committee training** The January 2025 FASC self-assessment noted that 57% of members felt that the committee has the right mix of skills and experience to carry out the remit. This assessment is consistent with our own views and we believe there is scope for the committee to enhance the scrutiny provided. Since this assessment, there has been further turnover in committee membership with a number of new members joining the committee.	Taking into account the change in membership, lead officers should continue to work together to ensure that an appropriate training programme for members is in place to support members in performing their roles. *Grade 2*	**Response:** FASC training will be organised before the summer recess with a programme of future training to be determined thereafter. **Response September 2026:** Two training sessions have been delivered for FASC members in March 2026 and August 2026. **Responsible officer:** **Head of Audit and Inspection** **Implementation date:** 30 June 2026	**Complete.** We will continue to evaluate progress on an annual basis and share observations in respect of the effectiveness of member scrutiny.

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31.	**Annual performance report publication** We have been unable to report on progress in moving towards compliance with the new SPI Direction and Best Value Statutory Guidance due to the annual performance report not being available in a timely manner. The annual performance report is a key document that enables the Council to demonstrate its impact on local communities as well as areas for further development. Publication more than 12 months after the year end date means that the report loses relevance and impact.	We recommend that the Council reviews the timeline for production and publication of the annual performance report to ensure this is issued on a timelier basis. *Grade 1*	**Response:** The current 2025/26 APR is being presented to committee on 16th April 2026. The 2025/26 APR is scheduled for delivery in Autumn 2026. **Response October 2026:** The Council reviewed the timeline for production and publication of the annual performance report. The 2025/26 Annual Performance Report was presented to Wellbeing, Equalities, Communities, Culture and Engagement City Policy Committee on 24 September 2026. **Responsible officer:** Head of Policy and Corporate Governance **Implementation date:** Autumn 2026	**Complete.** The Council reviewed the timetable for publication, and the 2025/26 annual performance report was presented in September 2026.

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32.	**Finance system control improvements** Over the course of our audit appointment, we have identified a number of system limitations which result in either control weaknesses or challenges in fully complying with the CIPFA Code requirements. Specifically, we highlight: • The Council are unable to update the useful life of assets on the fixed asset register resulting in recurring errors in depreciation charged. • The system does not have a built-in approval process for journals. Journals are therefore prepared and posted without any evidence of secondary review or authorisation.	As part of the new ERP project, the Council should ensure that a detailed review of current processes and controls is performed to capture any current system limitations. The Council should then ensure that the system has sufficient functionality to enable full CIPFA code compliance and ensure appropriate segregation of duties are embedded in the system. *Grade 1*	**Response February 2026:** These system specific limitations will be passed to the Head of ERP Development Programme to ensure they are included as part of the improvements the ERP programme will deliver. **Response September 2026:** The specific items have been included in the System Design Documents for the new Oracle system. **Responsible officer:** Director of Financial and Business Services **Implementation date:** 31 March 2026	**Partially complete.** The ERP project is ongoing with a revised implementation date agreed. We have confirmed that the specific items have been included in the system design documentation and will assess implementation as the project progresses.

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
33.	**Best value thematic – Transformation** The Council does not have a medium-term financial plan and this can therefore lead to short-term decisions being made rather than the required focus on longer-term transformational decisions. We further note that the financial benefits associated with public service reform are yet to be clearly articulated and quantified.	The Council's financial planning process should align to the public service reform approach to ensure that reform activity is affordable. The Council should ensure that the financial benefits and savings associated with transformation projects are clearly articulated and where appropriate, included within financial plans. *Grade 1*	**Response February 2026:** A Financial Outlook 2026 – 2028 was presented to City Administration Committee on 21 August 2025. A 10-year forecast is under development. The Financial Outlook will be updated annually, and the longer-term forecast will be developed. The Council's Corporate Leadership Team (CLT) provides strategic oversight and embeds Public Service Reform (PSR) within the Council. The PSR approach will be part of the financial planning arrangements within the Council. **Response October 2026:** The Council would acknowledge that there is scope to integrate existing multi-year projections and scenario work more visibly with workforce, assets, transformation and service planning and would intend to take this forward as part of the Strategic Plan of the new Council in May. The August 2026 financial outlook demonstrates the work the council is doing, in an uncertain environment to consider scenarios - with clearer assumptions, choices, mitigations, and service consequences. **Responsible officer:** Executive Director of Financial Services **Implementation date:** September 2026	**Partially complete.** While progress has been made with respect of the financial outlook presented in August 2026, further work is required to ensure that financial benefits of transformation activities are clearly articulated.

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E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe	EY Conclusion/ Response
34.	**Best value thematic – Transformation** The GCPP committed to agreeing a new performance framework for testing within the first year following agreement of the new community plan. The Framework is yet to be finalised. This means that outcomes are not yet being fully assessed and therefore its not yet possible to fully assess the impact of the plan.	The Council alongside community planning partners should ensure that there is an agreed and clear timeline for finalising and implementing the new performance framework to ensure progress in delivering outcomes can be measured. *Grade 1*	**Response February 2026:** The GCPP committed to a first draft of the new Performance Framework within the first year and continued progress on the delivery of this draft has been reported through the GCPP governance framework. Working with the Improvement Services and the Public Service Reform Unity of the Scottish Government, the council and its partners committed to this first draft and the testing of an iterative set of measures and this is ongoing across the child poverty programme. A test of change in itself, a group of co-designers representing the GCPP partners have been undertaking the detailed work to shape the framework and are now completing a testing phase to bring the first year's work across the Partnership into focus and ensure the Measures contained within the Framework are fit for purpose. This will be reported to the GCPP Strategic Group's next meeting after being approved by the GCPP Executive Group. **Response September 2026:** The GCPP approved the Impact Framework in March 2025 recognising the critical shift from capturing numbers measuring inputs to demonstrating the difference that is made. The Framework, developed in partnership with the Improvement Service, the Public Service Reform Unit within Scottish Government, the Council and its partners, is now being embedded in the city's work to tackle family poverty and deliver public service reform, most notably within our Demonstration of Change activity. This facilitates the live use of an iterative set of measures to demonstrate change over the short, medium and long term. The ongoing progress of this work continues to be governed through the GCPP Strategic Partnership following detailed scrutiny at the Executive Board. The development of this Framework and its continued implementation by community planning partners fulfils the requirements of the Accounts Commission's Statutory Performance Direction 2024 which asks local authorities to: ‣ Recognise the statutory role of councils in relation to community planning, councils' performance reporting should show how they and their community planning partners are working together to address the priorities, targets and actions set out in their local outcomes improvement plans (LOIPs) and locality plans ‣ Aligning their performance reporting with these plans should show how council actions are contributing to the delivery of locally agreed shared outcomes. **Responsible officer:** Head of Corporate Policy and Governance **Implementation date: Autumn 2027 (**Original: May 2026)	**Partially complete.** While work has been taken forward, further work is required to fully embed the new arrangements.

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E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
35.	**Best value thematic – Asset Management: Corporate Asset Management Framework** The Council's framework was last updated in 2021 and covered the three-year period 2021 – 2024. The Framework is therefore now significantly beyond its stated planning period and no longer aligns to the Council's current Strategic Plan or other supporting strategies. The Council must ensure that the Framework is updated to ensure that there is a coherent, strategic framework for how the Council's assets are managed that clearly aligns to the Council's strategic objectives. An outdated Asset Management Framework may result in a lack of strategic direction and oversight for the Council's assets, limiting the Council's ability to consider and assess that assets are being managed effectively, efficiently and in alignment with corporate objectives.	The Council should ensure that the Corporate Asset Management Framework is updated and then subject to regular review by an appropriate Committee at an agreed frequency to ensure it remains fit for purpose and aligned to Council activities. Specifically, the Corporate Asset Management Framework should cover the following core elements: • Strategic alignment • Asset management principles • Governance and accountability • Asset hierarchy and scope • Asset data and intelligence • Investment hierarchy • Affordability and capital planning • Performance management arrangements • Net zero and resilience • Partnership and community engagement • Community Asset Transfer arrangements • Review, assurance and continuous improvement. Once the Framework is updated, the Council should ensure that underlying strategies and plans are aligned and subject to regular monitoring. *Grade 1*	GCC accepts this recommendation and will review and update the Corporate Asset Framework. Give the size and complexity of the organisation, this will be a significant piece of work requiring input from multiple services and stakeholders across the Council. The revised Framework will provide a strategic corporate approach to asset management, supported by service and asset-specific plans where appropriate, and will be subject to governance and periodic review arrangements. **Responsible officer**: Head of Corporate Health & Safety, Resilience and Asset Management. **Implementation date:** 31 December 2027

Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
36.	**Best value thematic – Asset Management: Capital Programme Board Terms of Reference** The CPB's terms of reference were last reviewed in August 2020. Best practice would be for the Council to agree to review terms of reference at regular frequencies to ensure they remain fit for purpose. Our review noted that there was inconsistencies between the terms of reference and what happens in practice. For example, the CPB currently meets on a quarterly basis but the terms of reference note that the group should meet on an 8-weekly basis. This change had been reported through the Capital Investment Programme annual performance report for the year ended 31 March 2021 but not reflected in the terms of reference. There is a risk that outdated terms of reference may result in governance arrangements that are no longer fit for purpose, creating uncertainty over roles, responsibilities and decision-making authority and reducing the effectiveness of oversight and challenge.	The Council should ensure that the terms of reference for the Capital Programme Board are reviewed to ensure that membership, meeting frequency and responsibilities remain appropriate. The terms of reference should also be subject to more frequent review moving forward. A wider review of terms of reference for other key governance groups should be performed to ensure they are up-to-date and remain fit for purpose. *Grade 2*	Accepted. The Terms of Reference for the Capital Programme Board will be reviewed and updated to ensure that membership, meeting frequency, roles and responsibilities remain fit for purpose and aligned with current practice. This will be completed as part of ongoing work in relation to the governance of the Capital Programme Board. A wider review of governance arrangements is underway following changes to the Council's senior management and governance structure. This has included reviewing the Terms of Reference of key governance groups and the Corporate Governance Manual will be updated to ensure arrangements remain current and fit for purpose. **Responsible officer:** Corporate Governance and Planning Manager **Implementation date:** Capital Programme Board Terms of Reference: 31 December 2026 Key Governance Groups Terms of Reference: 31 March 2027

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
37.	**Best value thematic – Asset Management:** Performance management framework The 'Corporate Asset Performance Report' was never produced and we consider this to be a gap in current arrangements with no central reporting occurring at the current time. We further noted through review of the Property and Land Strategy 2019 -2029 that governance and programme management arrangements were to be progressed and that oversight of the implementation of the Strategy would be undertaken by the Council's Contract and Property Committee. Our review did not identify any direct evidence of reporting against the outcomes and objectives set out within this strategy. In respect of the education estate, we noted that an annual update report is provided to the Education, Skills and Early Years City Policy Committee. This report provides updates on the current estate condition, current investments and projects as well as capacity issues across the estate. We note however that it does directly reference progress against the Education Estate Asset Plan 2020-30 and the objectives set within this plan. In the absence of a clear asset management performance framework and regular reporting against asset strategies and plans, the Council cannot demonstrate whether intended outcomes and objectives are being achieved. This limits management's ability to monitor performance, identify areas requiring intervention, and provide appropriate assurance to members and stakeholders that the Council's asset portfolio is being managed effectively and delivering value for money.	The Council must ensure that a clear performance framework is in place for asset management that includes both the expectations at a strategic level but also sets base expectations for individual services and asset plans to ensure consistency and effectiveness of reporting arrangements. *Grade 1*	GCC accepts the recommendation. The performance framework will be developed as part of, and aligned with, the wider review and update of the Corporate Asset Management Framework. This work will include consideration of appropriate strategic and service-level performance measures and reporting arrangements to support consistency and effectiveness. **Responsible Officer**: Head of Corporate Health & Safety, Resilience and Asset Management **Implementation date:** 31 December 2027

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
38.	**Best value thematic – Asset Management:** NIIF Outcome assessment There has been mixed use of the Fund across Area Partnerships and some challenges experienced in respect of administration of the Fund. While Case Study 1 highlights a positive example of use of the Fund, it's important that the Council perform an exercise to assess whether the Fund has operated as intended, the challenges encountered and how these could be avoided for future schemes and whether the Fund has delivered the intended outcomes.	The Council should perform an exercise to assess whether the NIIF has delivered the intended outcomes. This exercise should be reported to the relevant committee. *Grade 2*	Accepted. NIIF is currently scheduled to conclude in line with the Council Strategic Plan 2022-2027. Given the scale of the programme and the nature of the projects funded, some projects may not be physically completed by 31 March 2027 and longer-term impacts may emerge later. A period will therefore be required to collate and assess data, evidence and available impact information to determine the extent to which NIIF has delivered its intended outcomes. As part of the governance arrangements, NIIF sits within the oversight of the Council's Capital Programme Board. Regular reports are provided on programme progress, delivery and outcomes, with updates also reported annually to the Environmental and Liveable Neighbourhoods Committee. These arrangements include a final programme report covering lessons learned, benefits realisation and the achievement of intended outcomes. Area Partnerships will continue to receive updates on projects they have supported, and the final report will also be reported to the relevant Policy Committee. **Responsible Officer:** Divisional Director – Finance & Transformation Neighbourhoods, Regeneration & Sustainability **Implementation Date:** 31 December 2027 (subject to programme completion and availability of outcome data).

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
39.	**Best value thematic – Asset Management: Community Asset transfer webpage review** The Council promotes the benefits of community ownership and management of assets through its dedicated Community Asset Transfer webpages. Our review did identify that the Council's Community Asset Transfer policy cannot currently be accessed through the link provided on this webpage. Where the Council uses its website to be the key source of information for its communities, it's important the website is appropriately maintained and that key documents can be accessed.	The Council should ensure that key policies, such as the Community Asset Transfer policy, are accessible on the Council website. The website should be subject to regular review to ensure that access is maintained. *Grade 2*	Accepted. Following the migration to the Council's new website platform, access to the Community Asset Transfer Policy was affected by broken links between the previous and new hosting environments. The issue has now been rectified. To maintain accessibility, the GCC Web Team will configure an automatic scheduled task to check that all links on the website are working. Reports generated from this activity will be reviewed regularly and all identified broken links investigated and corrected. **Responsible officer:** GCC Web Team. **Implementation date:** 31 December 2026

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Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
40.	**PPE Valuation review** One misstatement was identified in respect of the Burrell collection where an incorrect rate had been used in the valuation calculation which was inconsistent with the rate used for other museums. This resulted in an understatement of £17.9 million. There is a risk that insufficient review of valuation inputs and assumptions results in inconsistent or incorrect rates being applied, leading to material misstatement of property, plant and equipment.	We recommend that the Council's valuers, City Property, strengthen their quality review arrangements for asset valuations to ensure that the valuation rates and assumptions applied are consistent across similar asset types, and that any inconsistencies or errors are identified and corrected before valuations are finalised. *Grade 2*	City Property will review and strengthen, where appropriate, quality review arrangements for asset valuations. City Property will also complete and document a review of asset valuations across similar asset types to ensure that valuation rates and assumptions have been applied consistently. **Responsible officer:** Valuations and Disposals Manager **Implementation date:** 31 March 2027

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E Action Plan continued

No.	Findings and risk	Recommendation / grading	Management response / Implementation timeframe
41.	**Risk register reporting** The current reporting to Finance and Audit Scrutiny Committee includes an abbreviated version of the Corporate Risk Register alongside a narrative report which sets out activity during the period, the very high rated risks and any risks which have had a material change since the last reporting date. There is scope to enhance the risk management reporting to members to support greater scrutiny of risk management actions. The current abbreviated version of the CRR reported to Committee contains the risk title, residual risk score, alignment to the strategic plan, any changes and previous scoring for the previous two years. Currently, no detail is provided on what actions are being taken to manage each risk and what further actions are planned. There is a risk that insufficient information on mitigating actions and planned responses limits members' ability to effectively scrutinise whether corporate risks are being appropriately managed.	We recommend that the Council enhance its risk management reporting to Committee to provide members with sufficient information on the mitigating actions being taken for significant corporate risks, including further planned actions, to support effective scrutiny. *Grade 2*	There is a balance to the level of detailed information to be provided in a public document against its effectiveness for member scrutiny. In each reporting period there is a regular in-depth review incorporated in the report for one of the risks. This is to provide members with assurance that risks are regularly reviewed including mitigating actions. A review of Risk Management is also a regular internal audit which again is reported to FASC members. The Corporate Governance team will consider options in relation to the reporting of risk to committee, this will include a review of the current reporting approach, including elected members of the committee, the outcome will be reported to FASC in the next 6 monthly report. **Responsible officer:** Corporate Governance and Planning Manager **Implementation date: 31 January 2027**

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F Adjusted and unadjusted audit differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements. We include differences identified both for the audit of the Council and the Group. Council audit differences are not duplicated in the Group tables but do have an impact on the Group financial statements.

During the course of the audit, we have identified [3] misstatement(s) greater than £33.6 million [to date] which have been corrected by management. We identified[[2] adjustments to date less than [£33.6] million which has been adjusted by management.

Summary of adjusted differences – Council 2025/26

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)	
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit
No.	Description	£m	£m	£m	£m	£m	£m
1	Operational iPads incorrectly classified as assets under construction including depreciation impact	23.2 (23.2)					
2	Indexation initially incorrectly applied to gross book value of assets	(99.1)				99.1	
3	Correction to valuation of the Burrell	17.9				(17.9)	
4	Pay and grading provision			74.8			(74.8)
Total		(81.2)	-	74.8	-	81.2	(74.8)

Key	Description	Key	Description
NCA	Non-Current Assets	NCL	Non-Current Liabilities
CA	Current Assets	CL	Current Liabilities
OCI	Other comprehensive income/expenditure		

F Adjusted and unadjusted audit differences

Summary of adjusted differences – Group 2025/26

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	City Building Contracts intercompany consolidation adjustment						47.6 (47.6)	
Total		-	-	-	-	-	-	-

Summary of unadjusted differences – Council 2025/26

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	Land acquisition classified as infrastructure	5.2 0.9 (5.2)					(0.9)	
2	Money due to be received from termination of car park lease is held as a long-term debtor when should be contingent asset	(3.5)					3.5	
3	Judgemental misstatement of depreciation on additions and transfers	2.2					(2.2)	
4	Judgemental misstatement of depreciation on buildings	3.9					(3.9)	
5	Depreciation element in respect of incorrectly classified operational iPads	(2.2)					2.2	
6	Equipment impairment – current year impact of prior year error	(3.4)						3.4
Total		(2.1)	-	-	-	-	(1.3)	3.4

F Adjusted and unadjusted audit differences

Summary of unadjusted differences – Group 2025/26

		Balance Sheet Debit/(Credit)				CIES Debit/(Credit)		Reserves
		NCA	CA	NCL	CL	OCI	Surplus/ Deficit	
No.	Description	£m	£m	£m	£m	£m	£m	£m
1	Correction of treatment in respect of valuation of indexed loan	TBC	TBC	TBC	TBC	TBC	TBC	TBC
2	Judgemental estimated impact of new PGS on Group	(7.7)				7.7		
Total		TBC	TBC	TBC	TBC	TBC	TBC	TBC

Summary of Disclosure/ other differences – Council 2025/26

No.	Description
1	**Cashflow statement** In performing testing over the cashflow statement, an understatement in capital creditors of £3.9m was identified. This impacted the cashflow statement itself and notes 31 and 32 of the financial statements, as an increase to other net operating cash payments and a decrease to purchase of property, plant and equipment and intangible assets. This has been adjusted for within the updated financial statements.
2	**Remuneration report** We identified [3] errors within the bandings of individual's disclosed within the remuneration report which [have been adjusted] for within the updated financial statements.
3	**Misstatement in disclosure of pension fund assets** The auditor of Strathclyde Pension Fund identified a net understatement of pension fund assets totalling £29.1 million. The Council's share of this difference was estimated to be £5.4 million.

Summary of Disclosure/ other differences – Group 2025/26

No.	Description
1	**Group Pensions** As noted on page [32], we identified disclosure adjustments in respect of the group entities with respect of interest on the effect of the asset ceiling being recorded in the CIES and pensions note for group entities where there was no asset ceiling recorded. In 2024/25, the impact of this adjustment was £8.2 million between net interest on the net defined benefit liability and actuarial (gains) or losses on pension assets and liabilities. The equivalent adjustment in 2025/26 was £18.2 million.

[*We have no disclosure or other differences to report from our procedures to date*.]

[*We also made various comments]* through our review of the financial statements designed to both ensure full compliance with the Code and enhance the Council and Group's financial reporting. [*We were content]* where management opted not to adjust that this was reasonable on the basis of materiality to the financial statements.

G Audit fees

2025/26 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2025/26	2024/25
Component of fee:		
• Auditor remuneration – expected fee (Note 1)	£792,340	£521,550
• Additional audit procedures (Note 2)	[£TBD]	£490,487
Audit Scotland fixed charges:		
• Performance audit and best value	£229,490	£178,950
• Audit support costs	£27,330	£13,100
Sectoral price cap	£62,370	£100,730
Total fee	**£TBD**	**£1,304,817**

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise, submitted in November 2021. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. For 2025/26, the base fee is £792,340. The base auditor remuneration has been updated to reflect known variations in the scope of the audit work required for the Council and Group's financial statements, which are expected to be recurring through the remaining two years of our audit appointment. This additional work is driven by changes in accounting and auditing standards since 2021 that are recurring, changes in the Council Group arrangements and statutory reporting requirements, and changes in the scope of work required around the valuation of key estimates and judgements, namely pension assets and properly, plant and equipment, following our appointment in 2022/23.

All areas of additional work noted here were reflected in the fee variation reported for 2023/24 and 2024/25, now uplifted for the standard inflationary increase based on rates provided by Audit Scotland. This brings the total expected fee, before other variations yet to be quantified as set out below, to £1,111,530.

Note 2

[The additional fees relate to non-recurring matters relating to 2025/26 with the fee shared with management shown above.]

H Additional audit information

Introduction

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities under auditing standards

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the going concern basis of accounting.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Read other information contained in the financial statements, the Finance, Audit and Scrutiny Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

- communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

- For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- Materiality determines the locations at which we conduct audit procedures, and the level of work performed on individual account balances and financial statement disclosures.
- The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

H Additional audit information (cont.)

Audit Quality Framework/Annual Audit Quality Report

- Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- We support reporting on audit quality by proving additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: Quality of public audit in Scotland: Annual report 2025/26 | Audit Scotland
- EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: **https://www.ey.com/en_uk/about-us/transparency-report**

This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of Glasgow City Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together "the Recipients").

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Anna Anthony, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

I Group audit scope

ISA (UK) 600 (revised September 2022) special considerations – Audits of group financial statements (including the work of component auditors) became effective for the first time in 2024/25. The revised auditing standard introduced several changes to the approach for auditing groups, moving to a risk-based approach with a focus on account rather than entity level scoping.

Our procedures for scoping included:

- Determining whether centralised procedures could be performed before we determined which components to include in the group audit scope, and the work to be performed at those components.
- Identifying individually relevant components based on various risk characteristics and applied professional judgement to determine which accounts were to be included in the work performed at these components.
- Considering the balance of group accounts not subject to planned audit procedures based on the above steps, we determined whether it was necessary to perform audit procedures on further accounts at components within the group audit scope to address the risks of material misstatement of the group financial statements. Having identified the components for which work will be performed, we determine the scope to assign to each component.
- For all other components we perform other procedures, such as analytical review procedures, to confirm that there is no risk of material misstatement within those locations.

The table below sets out the different scopes which can be assigned and a description of the approach undertaken for each scope.

Scope assigned	Description
Full scope	Components where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.
Specific Scope	Components where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size or risk profile of those accounts.
Specified procedures	Locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.
Remaining procedures	Based on our planned audit scope, there may exist residual amounts of balances and accounts of the group financial statements which are not included in the group scope. These amounts have been evaluated as not presenting a risk of material misstatement to the group financial statements and may comprise balances at multiple entities where the balances may be material in aggregate. Entities that are not assigned a scope of work nor subject to centralised procedures and comprise amounts solely contributing the residual amounts are described as 'remaining components.' We update and perform further risk assessment procedures as necessary to conclude our assessment that there is no risk of material misstatement in those amounts.

I Group audit scope

The below table sets out our approach to the scoping of the Group audit as explained on page 18.

In scope entities	Scope	Statutory audit performed by EY	Current year rationale for scoping
Glasgow City Council	Full	Yes	Significant by size
Glasgow City Integration Joint Board	Specific	Yes	Statutory audit performed by EY
Scottish Event Campus Limited	Specific	No	Specific significant accounts by size or risk
City Building (Contracts) Limited Liability Partnership	Specific	No	Specific significant accounts by size or risk
Culture and Sport Glasgow, trading as Glasgow Life	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Investments) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL1) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL2) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL) Limited	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (Operations SL3) LLP	Specific	No	Specific significant accounts by size or risk
City Property Glasgow (SL Operations 3) Limited	Specific	No	Specific significant accounts by size or risk
City Building (Glasgow) Limited Liability Partnership	Specific	No	See above

I Group audit scope continued

In scope entities	Scope	Statutory audit performed by EY	Current year rationale for scoping
Strathclyde Concessionary Travel Scheme	No Scope	No	No scope assigned due to immaterial size and risk
Common good fund	Specific	Yes	Statutory audit performed by EY
Sundry Trusts	Specific	No	Statutory audit of disclosures performed by EY
Jobs & Business Glasgow	No scope	No	No scope assigned due to immaterial size and risk
Strathclyde Partnership for Transport	Specific	No	Specific significant accounts by size

EY | Building a better working world

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Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

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