ITEM No …9……….

REPORT TO: **SCRUTINY AND AUDIT COMMITTEE – 24 JUNE 2026**

REPORT ON: **AUDIT SCOTLAND NATIONAL REPORTS**

REPORT BY: **EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

REPORT NO: **31-2026**

1 PURPOSE OF REPORT

1.1 To provide elected members with a summary of recent national reports that have been undertaken by Audit Scotland on behalf of the Accounts Commission.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee notes the key messages arising from the Audit Scotland reports and other information included in the report.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications arising from this report.

4 MAIN TEXT

4.1 Audit Scotland regularly issues national reports which have implications for local authorities. This report summarises various key reports issued since October 2024 and highlights the implications for Dundee City Council and provides an overview of the work undertaken within the Council to tackle the issues highlighted in these reports.

4.2 The key Audit Scotland reports for this period included:

a) Local Government Performance: Spotlight on Culture and Leisure Services – 23 October 2025

The report highlights that council spending on culture and leisure services has fallen in real terms by 3% between 2018/19 and 2023/24, despite overall council expenditure growing substantially during the same period. This reduction is uneven across service types: library spending fell by 6%, while museums and galleries saw a 9% rise, and sport and recreation spending declined by 3%. Councils increasingly rely on arm's-length external organisations (ALEOs) to run services, with 23 councils using ALEOs for some or all culture and leisure provision. However, this model presents challenges in governance, oversight, and data comparability. The report stresses that limited national performance data makes it difficult to assess how effectively these services contribute to health and wellbeing outcomes.

At the same time, councils have grown more reliant on charging users, with income from fees rising 27% in real terms since 2018/19. Yet many councils still overspent their culture and leisure budgets in 2023/24 due to rising costs and income shortfalls. Public satisfaction with services such as libraries, museums, and leisure facilities has declined significantly over the long term, particularly for library services. Meanwhile, attendance levels remain uneven in their post-Covid recovery, libraries and museums have largely rebounded, but leisure facility visits remain 17% below pre-pandemic levels. The report underscores the risk that reductions in culture and leisure services may widen inequalities, given their important role in prevention, wellbeing, and community resilience. It calls on councils to strengthen consultation, equality impact assessments, and outcomes-focused performance reporting to inform future decisions in a challenging financial climate.

DCC Response:
The Council has recently undertaken a strategic review of Leisure and Culture Dundee (LACD). This comprehensive review was conducted by EKOS to ensure that LACD meets the current and future needs of the local community, aligns with best practices, maximises resource utilisation, is financially sustainable, and provides value for money. Further details on the outcome of the review are included in report 289-2025. Officers continue to implement the recommendations arising from the above review and details will be reported to members in due course.

b) Cyber-attack Affecting Operations and Services: The 2023/24 Audit of Comhairle nan Eilean Siar - 27 November 2025

The report highlights that the cyber-attack on 7 November 2023 had an immediate and severe impact on the Comhairle, with all locally hosted systems encrypted and rendered unusable. Critical functions, including finance, payroll, benefits and planning were significantly disrupted, with the general ledger and accounting records lost, ultimately leading to a disclaimer of audit opinion for 2023/24. In contrast, cloud-based systems such as Microsoft 365 remained operational and were vital in maintaining communication and coordination during recovery. The attack resulted in major data loss, delays in financial monitoring and reporting, and ongoing challenges for departments still manually rebuilding systems nearly two years later.

Audit findings show that although the Comhairle's immediate response was strong, staff acted swiftly, governance arrangements were mobilised quickly, and external agencies were engaged, the organisation had longstanding weaknesses in IT infrastructure, preparedness, staff capacity and training, with several cyber-related audit recommendations from 2021/22 and 2022/23 still unimplemented when the attack occurred. Business continuity plans were inconsistently applied and had not been tested against scenarios of this scale. While progress has since been made, including enhanced cyber-resilience measures, improved governance, and partial implementation of recommendations, key risks remain, particularly around testing disaster recovery arrangements and fully rebuilding systems. The incident underscores the need for all councils to strengthen cyber-preparedness, invest in resilient infrastructure, and ensure staff capacity keeps pace with rising cyber-threats.

DCC Response:
Dundee City Council is taking a proactive, research-driven approach to cyber-security, centred on modernising its IT infrastructure and enhancing real-time threat detection. Through its partnership with Abertay University's cyberQuarter, the council is developing a secure digital twin of its website, allowing vulnerability scanning and risk-modelling to take place safely without disrupting live services. This collaboration also supports advanced preventative measures such as automated vulnerability assessments using industry-standard tools alongside research into improved cyber-governance and communication between technical and non-technical teams. Complementing this, DCC's IT Strategy 2024–2029 commits to continuing technology modernisation including cloud migration, strengthened infrastructure, and investment in secure collaboration platforms to ensure a robust, resilient digital environment that reduces exposure to cyber threats

c) Improving Care Experience: Delivering The Promise - 8 October 2025

The report concludes that while Scotland's commitment to The Promise remains strong, progress towards delivering it has been slow, inconsistent, and hampered by unclear strategic direction. Initial planning by the Scottish Government and COSLA did not fully account for the scale of work required over a ten-year period, particularly in defining resources, roles, responsibilities, and measurable outcomes. This lack of early clarity has left delivery bodies without a strong national framework to guide implementation, resulting in fragmented understanding, variable local approaches, and limited momentum. Although new structures such as The Promise Scotland, the Oversight Board and the Independent Strategic Advisor were created, their roles overlapped and were poorly defined, contributing to confusion across sectors and weakening accountability for progress.

The report also highlights major shortcomings in data, measurement, and resource planning. A national framework to measure progress was only finalised in December 2024 (five years after the Care Review) meaning Scotland still lacks sufficient evidence to assess whether outcomes for care-experienced people are improving. Significant data gaps, inconsistent recording, and limited cross-sector sharing continue to impede understanding of lived experience and system performance. Financially, local authorities spent £1.2 billion on care experience in 2023/24, but the Scottish Government did not undertake a comprehensive assessment of the full resources—funding, workforce, and infrastructure—needed to deliver The Promise by 2030. Short-term, numerous, and disparate funding streams, including delays in allocating the £500 million Whole Family Wellbeing Fund, have also constrained the ability of public bodies to plan effectively and shift toward prevention. Overall, delivery is characterised by dedicated staff and pockets of innovation, but systemic issues in governance, data, planning and workforce capacity pose significant risks to realising The Promise in full by 2030.

DCC Response:
Dundee City Council is delivering The Promise through a broad programme of early-intervention, education, and family-support initiatives, with significant measurable progress already achieved. The council has reduced the number of care-experienced young people (including a 14% fall between 2023 and March 2025) and sharply reduced reliance on residential and secure care, with no young people admitted to secure accommodation for 18 months 2. Early-years work has strengthened markedly, with the New Beginnings Team enabling 70% of referred babies to remain safely at home or in kinship care, supported by therapeutic and addiction-recovery services for parents and carers. Education outcomes for care-experienced learners have also improved, with attendance rising above comparator-council averages and the proportion achieving SCQF Level 4 or above increasing to 81% in 2024/25. Looking ahead, the council is enhancing support for kinship and foster carers—reviewing fees, allowances, and wider support and continuing to embed children's voices in service design while redesigning services to strengthen family support and prevention.

The latest annual update on Our Promise was reported to Children & Families Committee in October 2025 (report 313-2025 refers).

d) Transformation In Councils - 1 October 2024

The report finds that Scotland's councils face intensifying financial and service-demand pressures, creating an urgent need for large-scale transformation in how local services are designed and delivered. Despite decades of reform efforts, the Accounts Commission concludes that progress has been too slow, and many councils have focused on short-term efficiencies rather than the deeper, structural redesign now required. With budget gaps widening (forecast to reach £780 million by 2026/27) and the pace of service performance improvement slowing, the sustainability of vital public services is at risk unless councils fundamentally change their operating models. Transformation must be ambitious, outcomes-focused, and properly planned, with clearer timescales, governance, and resourcing.

The report also emphasises that councils cannot deliver transformation alone. The emerging sector-led Transformation Programme launched by Solace and the Improvement Service is a positive development, though still at an early stage and lacking firm detail on outcomes, timescales and resource needs. Progress on national enablers, such as the Verity House Agreement, a new fiscal framework, and improved accountability arrangements has been limited, posing risks to sector-wide reform. Stronger collaboration between councils, the Scottish Government, Community Planning Partners and the third sector is essential, as is effective political leadership and sustained public engagement to build support for difficult decisions. Overall, the report stresses that transformation must accelerate significantly if councils are to safeguard long-term financial sustainability and deliver better outcomes for communities.

DCC Response:
The recent Best Value thematic study undertaken by Audit Scotland highlighted the Council as one of the authorities that has made substantial progress in delivering a long-term, structured transformation programme. The council has embedded transformation within its wider Council Plan, enabling a coordinated approach that aligns financial sustainability with service redesign. Dundee has already delivered £147 million in savings through this programme, reflecting years of continuous reform and a commitment to reshaping how services are delivered to remain sustainable under increasing financial pressures. Its transformation activity spans major themes such as property rationalisation, expansion of digital service provision, service redesign, shared services, and initiatives focused on payments and income generation, all of which are intended to modernise operations and reduce costs at scale.

The council's transformation work is also characterised by a focus on large-scale, systemic change rather than incremental efficiencies. By redesigning services, rethinking its estate, and investing in digital capability, Dundee is seeking not only to reduce expenditure but also to improve outcomes and create a more resilient operating model. Audit Scotland notes that Dundee's approach aligns well with national, sector-led transformation activity and represents a stronger level of ambition than seen in many other councils. Ongoing efforts to integrate shared services, develop digital solutions, and redesign the council's footprint are expected to continue shaping Dundee's future operating model as it responds to financial and demographic pressures.

e) Flooding in Communities: Moving towards flood resilience – 28 August 2025

The report finds that flooding is an escalating and long-term climate risk for Scotland, with up to 400,000 properties expected to be at risk by 2080. While there are strong examples of collaboration between councils, SEPA, Scottish Water and communities, Audit Scotland concludes that Scotland's current system for managing flood risk is not keeping pace with the scale and urgency of the challenge. Public bodies face persistent gaps in data, skills, capacity and resources, and there is no consistent national approach to monitoring flood scheme performance or coastal change. The report also highlights that exposure to flooding disproportionately affects vulnerable groups, worsening inequalities, while community engagement is inconsistent and often hindered by unclear responsibilities, limited access to independent advice, and barriers that prevent communities from taking resilience actions.

A central finding is that the funding model for flood protection schemes is no longer fit for purpose: costs for major schemes in Cycle 1 have risen dramatically from an estimated £350 million to over £1 billion resulting in fewer schemes progressing and fewer properties protected. Annual budget cycles create uncertainty, and the lack of long-term funding commitments means councils may invest resources in schemes that never proceed. Although the new National Flood Resilience Strategy (2024) represents an important shift toward a broader resilience-based approach, the report warns that it lacks clear actions, timelines, governance structures and resourcing plans. Without stronger leadership, better alignment across policy areas, and sustained investment, Scotland risks continuing delays, missed opportunities for prevention, and widening social inequality as climate impacts accelerate.

DCC Response:
The Audit Scotland action plan for all Cycle 1 flood schemes in Dundee have been fully delivered. Dundee City Council currently awaits the issuing of a timeline and associated funding mechanism for Cycle 2. Further details are included in report 320-2022

To enable collaboration and co-ordination, DCC has entered a formal partnership with Scottish Water, titled "Water Resilient Dundee", strategically reviewing Dundee's network with targeted improvement projects such as St Mary's Drainage Strategy, Blue-Green Infrastructure and, in collaboration with SEPA, the Dighty Restoration project. Strategic improvements seek to improve water resilience and provide multiple other benefits where possible such as biodiversity and active travel. Further details are also included in report 228-2025 , AN22-2023 and report 208-2024.

f) Additional Support for Learning - 27 February 2025

The report finds that Scotland's education system is facing significant and growing pressures in meeting the needs of pupils who require Additional Support for Learning (ASL). Forty per cent of all pupils now receive ASL (a 768% increase since 2004) with higher prevalence in the most deprived areas, yet national data is inconsistent and incomplete, making it difficult to understand the true scale, complexity and nature of needs. Gaps in recording, inconsistent council practices, delays in diagnosis, and reliance on broad categories (such as "social, emotional and behavioural difficulties") mean current statistics likely under-represent both need and unmet need. As a result, the Scottish Government and councils lack the insight required to plan effectively or target resources appropriately. Existing attainment and wellbeing measures show pronounced inequalities: pupils receiving ASL have lower attendance, higher exclusion rates, lower attainment, and are less likely to enter positive destinations than their peers. Meanwhile, efforts to create a national measurement framework—first recommended in 2020—remain at an early stage, limiting the ability to capture and celebrate broader forms of achievement.

The report also highlights that ASL has become an integral part of mainstream education, yet national planning, funding formulas, and workforce strategies have not kept pace with this reality. Most ASL is delivered in mainstream classes, placing increasing demands on classroom teachers and pupil support assistants, despite inconsistent training, undefined roles, and outdated guidance on class sizes and school design. Councils spent an estimated £926 million on ASL in 2022/23, but this does not reflect the full picture, as spending is difficult to track and often spread across education, health, social work, and third-sector services. Rising demand is also increasing pressure on dispute-resolution systems, with tribunal applications up 67% since 2019/20. Overall, Audit Scotland concludes that fundamental reform is required: better data, a clearer national measurement framework, re-designed funding and staffing models, and an education system planned and resourced on the basis that ASL is core, not additional, to delivering children's rights and supporting all learners to thrive.

DCC Response:
Dundee City Council is actively strengthening its ASL provision in ways that directly respond to the systemic risks identified in the national report, specifically around inconsistent identification, workforce pressures, gaps in data, and challenges in meeting growing and complex needs. The council has expanded training for staff, including widespread use of trauma-informed practice, the ABLE Framework, and targeted CLPL (career-long professional learning), helping mainstream teachers and pupil support staff build the skills needed to support rising and more complex needs. Schools use structured tools such as ABLE planning, staged intervention, and regular Team Around the Child meetings, supported by educational psychologists and NHS partners, to ensure needs are identified consistently and SEEMiS records are updated accurately. This directly mitigates the national report's concerns around data inconsistency and delays in recognising additional support needs.

The council is also taking steps to address significant workforce and service-capacity risks. Staff shortages, highlighted nationally and locally, are being mitigated through targeted recruitment, adapting learning spaces, strengthening transition planning, and embedding nurturing approaches to reduce behavioural challenges. DCC works closely with central support services, guidance teams and multi-agency partners to reduce escalation and maintain inclusive practice in mainstream settings. Good relationships with parents and carers are emphasised through proactive communication, clear dispute-resolution routes, and earlier mediation, helping prevent the adversarial situations and increased tribunal activity highlighted by Audit Scotland. These approaches align directly with the national recommendations on better partnership working and clearer communication with families.

Additionally, DCC is improving alignment between ASL provision and citywide policy through clearer public information on rights, roles and support pathways including guidance published online, dedicated ASN Education Officers, and accessible routes for families to seek help or challenge decisions. This mirrors the national call for better transparency and parent-facing information. The council's focus on targeted support, enhanced transition arrangements, data sharing and adapting physical learning environments helps to address concerns about system capacity, varied practice across schools, and the need for more consistent planning for children with complex or multiple needs. Taken together, these actions demonstrate that the Council is making tangible progress in strengthening identification, resourcing, communication and inclusive practices, mitigating many of the structural risks highlighted in the Audit Scotland report.

g) Local Government Budgets 2025/26 – 22 May 2025

The report highlights that although Scottish Government funding to local government is increasing by 6% in real terms to £15.2 billion, councils continue to face recurring and structural financial pressures that outstrip the value of the uplift. Inflation, rising pay settlements, increased employer National Insurance contributions, and the growing cost of delivering statutory services (particularly social care) mean that most of the uplift will be consumed by pre-existing national commitments rather than new or local priorities. As a result, councils entered 2025/26 with a combined revenue budget gap of £647 million, reflecting the continuing mismatch between demand pressures and the resources available to meet them.

To set legally required balanced budgets, all 32 councils adopted a combination of actions, most notably, significant council tax increases ranging from 6% to 15.6%, widespread identification of recurring savings, use of reserves, and increases or new introductions of fees and charges. Despite this, councils anticipate further medium-term pressures, projecting nearly £1 billion in cumulative budget gaps by 2027/28, signalling that the sector remains on an unsustainable financial trajectory without fundamental change. The report also notes persistent issues around transparency and accessibility of budget information, which make it difficult for elected members and communities to fully understand the financial position and participate meaningfully in decision-making. While most councils engaged residents in the 2025/26 budget process, the quality, depth and influence of this engagement varied significantly.

DCC Response
Dundee City Council is taking a proactive and structured approach to address the financial sustainability risks highlighted by Audit Scotland, particularly the growing budget gap, rising cost pressures, and the need for more transparent decision-making. The council has completed its largest and detailed budget consultations to date, inviting citizens to provide feedback on spending priorities, council tax levels, and crucially specific savings options designed to close the projected funding gap. This early and comprehensive engagement aligns with Audit Scotland's emphasis on transparency, community involvement and clearer communication of financial pressures. The consultation offered online and paper-based participation, targeted engagement, and the opportunity to comment directly on individual savings proposals, demonstrating a more inclusive and participatory approach to budget-setting.

To mitigate recurring financial risks, the Council is also strengthening its medium-term financial planning and performance management. Audit Scotland has previously noted that the council has effective budget-setting and financial management arrangements and maintains clear medium- and long-term forecasts, identifying future gaps early and enabling timely action. The council has a well-established transformation programme, now in its sixth phase, which has already delivered nearly £70 million in savings since 2010, helping reduce reliance on non-recurring measures. This programme supports service redesign, efficiency improvements and targeted prioritisation, echoing Audit Scotland's call for long-term structural change to maintain financial sustainability.

At the same time, Dundee is working to strengthen public understanding and political accountability by publishing detailed budget reports, providing savings option lists, and committing to analysis of consultation feedback before decisions are finalised. Elected members have emphasised that listening to residents' priorities is essential in shaping the difficult decisions ahead, again mirroring the national report's expectation that councils improve accessibility, transparency and public engagement in budget processes. This combination of transformation planning, improved consultation, and robust financial management places Dundee among councils actively addressing the systemic risks outlined by Audit Scotland in the 2025/26 budget briefing.

The Council's Budget Strategy and Financial Outlook was agreed by City Governance Committee in September 2025, report 235-2025 refers. This report outlines the medium-term financial projections and sets out the strategy to address future budget shortfalls. A further review of this strategy will be undertaken and presented to members later this year.

h) Delivering for the Future: Responding to the workforce challenge - 7 August 2025

The report highlights that Scotland's councils are facing significant and escalating workforce pressures driven by financial constraints, rising service demand, recruitment and retention difficulties, and an ageing workforce. Local government now employs 262,000 staff, but sickness absence has risen sharply to 13.9 days per employee and 7.6 days per teacher (the highest levels recorded) indicating growing strain on staff wellbeing. Despite increased headcount, councils struggle to fill critical roles, particularly in social care, social work, digital and specialist professional posts, leading to increased reliance on costly temporary and agency staff. At the same time, workforce costs have risen to £10.3 billion, accounting for 72% of all council net revenue spending, placing additional pressure on already stretched budgets.

Auditors report that councils have responded positively, but progress on strategic, organisation-wide workforce planning remains uneven. Most councils have workforce strategies in place, yet many are not fully aligned to corporate plans, transformation programmes, digital strategies or medium-term financial planning. There are also weaknesses in workforce data, limited engagement with staff in planning, and inconsistent scrutiny of workforce performance and risks. While digital initiatives, hybrid working, apprenticeships and "grow-your-own" schemes are emerging across the sector, capacity and investment challenges remain, and the impact of these initiatives is not being measured consistently. The report concludes that councils must now prioritise mature workforce planning, accelerate digital transformation, strengthen collaboration and shared services, and invest in staff wellbeing and skills to ensure a sustainable workforce for the future.

DCC Response
Dundee City Council is taking a range of steps that align directly with the risks identified in the national workforce report, particularly around workforce planning, data use, digital capacity, recruitment challenges, and the need for sustainable service models. Audit Scotland notes that Dundee is already making active use of workforce data at service level to support planning and decision-making, helping the council better understand vacancies, pressures, skills gaps and demand trends. This work strengthens the council's ability to forecast future staffing needs and manage workforce challenges in a structured way, directly mitigating the report's finding that many councils lack robust or integrated workforce data.

Dundee is also highlighted as one of the councils investing in digital tools, training and infrastructure to improve service delivery and workforce efficiency, an important response to increasing workload and rising sickness absence across the sector. These initiatives include digital skills development, new technology to support frontline staff, and wider smart-city and digital transformation work. Building digital capacity helps the council redesign roles, reduce back-office pressure and support more flexible, efficient service models addressing the report's concerns about limited digital capability and slow progress with transformation in many Scottish councils.

More broadly, Dundee continues to progress through an established transformation programme, reported elsewhere to have delivered significant savings and service redesign over multiple phases. This ongoing programme supports workforce modernisation, new ways of working and more collaborative models, areas Audit Scotland identifies as essential to meeting future demand with a constrained and ageing workforce. The council's workforce-related actions also sit within a wider culture of structured planning and performance management noted positively in audit reports, helping ensure that service needs, capacity planning and future workforce requirements remain aligned.

i) Delayed discharges: A symptom of the challenges facing Health and Social Care 8 January 2026

Delayed discharge occurs when a person remains in hospital despite being clinically ready to leave, and Audit Scotland highlights that although only around 3% of patients experience a delay, the impact on individuals and the wider system is significant. Delays can harm people's physical and mental health, prolong recovery, and reduce independence. They also disrupt patient flow, reduce available beds, and place additional strain on already stretched hospital staff and resources.

The report emphasises that delayed discharge is not an isolated issue, but rather a symptom of wider systemic pressures across health and social care. These include rising demand linked to Scotland's ageing population, workforce shortages in both hospital and community settings, and insufficient capacity in social care services to support timely discharge. The data also show substantial variation across Scotland, reflecting local demographic pressures, service design, and differing levels of community and social care provision. Audit Scotland stresses that meaningful progress will require coordinated action across integration authorities, hospitals, councils and care providers, as well as sustained investment in community-based care and whole-system planning.

DCC Response
Dundee HSCP's performance on delayed discharge shows that the Partnership continues to face ongoing pressure in both standard and complex delays, reflecting the wider issues highlighted nationally. Performance reports to the Performance & Audit Committee note that DHSCP closely monitors both complex and standard delays and applies daily RAG (red-amber-green) status reporting to track beds occupied by people who are medically ready for discharge. This real-time surveillance supports operational decision-making and ensures escalation routes are in place when delays rise above locally set tolerance levels.

The reports also confirm that Dundee contributes to (and is actively engaged in) the Tayside-wide Discharge Without Delay programme, which focuses on reducing Length of Stay, improving discharge planning, and increasing the proportion of people discharged within 72 hours of being ready (National Indicator 22). As part of this work, DHSCP participates in four integrated workstreams: Optimising Access, Performance 95 (ED flow), Community Urgent Care, and Acute Flow & LoS. These aim to create alternatives to hospital admission, strengthen community urgent care, and reduce length of stay across all Tayside hospital sites. The Partnership has achieved and maintained green RAG status at times against its locally agreed delayed discharge targets, although the performance reports acknowledge that pressures remain and further improvement actions are underway.

Overall, DHSCP's performance reflects a whole-system approach, with close collaboration between hospital teams, community supports, and the Tayside Urgent & Unscheduled Care Board. While challenges persist, particularly in relation to complex Code 9 delays and wider system capacity, the Partnership demonstrates consistent monitoring, joined-up governance, and targeted improvement plans to manage and reduce delays wherever possible.

j) Local Government in Scotland: Financial bulletin 2024/25 - 29 January 2026

The report highlights that councils continue to face significant and compounding financial pressures, despite an increase in Scottish Government funding. For 2025/26, councils received a 6% real-terms uplift, bringing total Scottish Government support to £15.2 billion, but most of this increase is absorbed by unavoidable commitments such as inflation, pay awards, National Insurance changes and growing demand for services. At the point of budget-setting, councils collectively identified a £647 million budget gap, reflecting the ongoing structural mismatch between rising costs and flat or constrained income sources. To bridge this gap, all councils implemented a mix of actions including council tax increases (between 6% and 15.6%), recurring savings, new or increased fees and charges, and the use of reserves. However, the use of reserves is highlighted as unsustainable, with the report warning that reliance on non-recurring measures will only intensify medium-term financial risk.

The bulletin also stresses that, even with these measures, councils expect further budget gaps in future years, projecting a combined shortfall of £528 million in 2026/27 and £496 million in 2027/28. This indicates that councils will need to continue transforming services, redesigning delivery models and identifying ongoing efficiencies. The report calls out persistent challenges in the transparency and consistency of budget information across councils, making it difficult for elected members and communities to fully understand financial choices. While most councils consulted with residents during their 2025/26 budget processes, the depth and quality of engagement varied significantly. Audit Scotland emphasises that clearer reporting, better data, and more accessible budget information are essential to supporting informed decision-making and maintaining public trust as councils continue to navigate a highly constrained financial environment.

DCC Response

Dundee City Council is taking a structured and proactive approach to the financial sustainability risks identified in the national financial bulletin. Audit Scotland's Annual Audit Report 2024/25 confirms that Dundee has effective budget-setting and financial management arrangements, supported by clear medium- and long-term financial planning. Whilst balanced budgets have recently been approved for 2026/27, the council has identified a cumulative £14.9 million budget gap for 2027/28 and 2028/29 and has further responded through a combination of targeted savings, scenario planning and long-term forecasting (note that 10 year outlook anticipates a potential £81 million gap. The measures enable earlier action, better risk management and clearer prioritisation of services.

A major component of the council's mitigation strategy is its long-running Transformation Programme, now in its sixth phase. Audit Scotland notes that Dundee has already delivered nearly £70 million in savings since 2010 through transformation activity, and continues to redesign services, modernise delivery models, and improve operational efficiency. Work is backed by strong officer-led governance through the Transformation Board, with planned improvements to benefits tracking and clearer criteria for future projects. These steps directly address the national risk that councils must reduce reliance on short-term measures and instead achieve recurring, sustainable efficiencies.

The council is also working to strengthen transparency, public engagement and community involvement, areas highlighted as weaknesses in the national report. Dundee's expanded 2025/26 and 2026/27 budget consultations invited residents to comment not only on spending priorities but also on specific savings options, demonstrating clearer public engagement than in previous years. This aligns with Audit Scotland's call for more accessible budget information and deeper community involvement in difficult financial choices.

Finally, Dundee is integrating its financial response with the wider Council Plan and corporate performance framework, ensuring that savings and transformation decisions align with the city's strategic priorities. The Council Plan Annual Progress Report notes that despite financial pressures, the council continues to protect key services (e.g., freezing school meal costs, increasing spending on Health and Social Care together with Cost of Living), demonstrating an ongoing effort to balance fiscal sustainability with social impact, another key message in the national bulletin.

The Council's Budget Strategy and Financial Outlook was agreed by City Governance Committee in September 2025, report 235-2025 refers. This report outlines the medium-term financial projections and sets out the strategy to address future budget shortfalls. A further review of this strategy will be undertaken and presented to members later this year.

4.3 The Audit Scotland national reports from 1 January 2026 to 30 June 2026 will be brought to the Scrutiny and Audit Committee on the 23 September 2026. This will provide the Council the opportunity to review the content of the reports and where necessary identify and take remedial action if required. This will provide members with a comprehensive perspective on each report and how it impacts on the Council. Thereafter a report will be brought to the Scrutiny and Audit Committee in each cycle where an Audit Scotland report has a significant material impact on Dundee City Council or otherwise a report will be brought to members on a quarterly basis.

5 POLICY IMPLICATIONS

5.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

6 CONSULTATIONS

6.1 The Council Leadership Team were consulted in the preparation of this report.

7 BACKGROUND PAPERS

7.1 None

PAUL THOMSON
EXECUTIVE DIRECTOR OF CORPORATE ERVICES
25 MAY 2026