



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 19 FEBRUARY 2019
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

1

Committee Members Present:

Councillor J Henderson (Convener)
Councillor F Dugdale
Councillor K Mackie
Councillor K McLeod
Councillor J Williamson

Council Officials Present:

Mrs A Leitch, Chief Executive
Mr A McCrorie, Depute Chief Executive
Ms A Macdonald, Acting Director, Health & Social Care Partnership
Mr D Proudfoot, Head of Development
Mr J Lamond, Head of Council Resources
Mr T Reid, Head of Infrastructure
Ms F Robertson, Head of Education
Ms J Tait, Head of Children and Adult Services
Mr P Iannetta, Service Manager – Engineering Services & Building Standards
Mr P Grant, Service Manager – Property Maintenance
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Mr S Allan, Senior Auditor
Mr A Steven, Senior Auditor
Mr P Moore, Senior Auditor
Ms W McNeish, HR Performance & Business Support Manager
Mr C Hall, Systems Development & Business Support Team Leader
Mr A McLellan, Senior Transport Officer

Clerk:

Ms A Smith

Visitors Present:

Ms E Scoburgh, Audit Scotland
Mr M Duff, Audit Scotland

Apologies:

Councillor S Currie
Councillor J Findlay
Councillor B Small

Declarations of Interest:

None

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 27 NOVEMBER 2018

The minutes of the Audit and Governance Committee meeting held on 27 November 2018 were approved as a true record.

2. INTERNAL AUDIT REPORT – FEBRUARY 2019

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Committee of Internal Audit reports issued since the last meeting of the Committee and providing an update on the progress against the 2018/19 annual audit plan.

Stuart Allan, Senior Auditor, presented the report outlining the purpose of the audits and the level of assurance provided to management as a result of this work. Mr Allan, along with Senior Auditors Andrew Steven and Peter Moore, summarised the main findings of each audit, highlighting areas with scope for improvement. Officers responded to questions from Members.

Disclosure Checks

Mr Allan clarified, in relation to grading queries, that PVG checking was potentially a high risk to the Council but the reason the grade was medium was that there were arrangements in place. He gave further detail of the process, advising that very tight controls were in place for employees but referred to the challenge in dealing with non-employees such as volunteers and agency workers. There were a number of different practices operating throughout different service areas. Andrew McLellan, Senior Transport Officer outlined the process in respect of the Transport Service area regarding PVG checking for drivers. Mr Allan clarified that exceptional circumstances in the agreed action at 3.5.1 (*page 14*) was a management comment in relation to Internal Audit's recommendation; it related to a particular example when someone was in the process of PVG checking whilst already working. Mr McLellan confirmed that a framework for providers was in place but added that this did not necessarily mean that the recruitment agency would have all the staff needed, so an approach may be required to another agency.

Mr Allan clarified that Internal Audit had not previously carried out an audit on Disclosure Checks but informed Members that Disclosure Scotland had done an audit in September 2016, which showed that the Council was fully compliant.

Jim Lamond, Head of Council Resources, referring to 3.4.1 (*page 13*) in relation to volunteers, remarked that the management side felt that all comments fed back had not been properly reflected in the agreed actions. Further work to finalise was required with Internal Audit, which could be done as part of the normal follow-up work. The Committee noted this.

Non-Domestic Rates Liability

Mr Steven stated that the Small Business Bonus Scheme had last been reviewed in 2014. Regarding the risk assessment of empty properties, he indicated this would be based on how much relief a property received and how long the property had been empty. He clarified that East Lothian had over 400 empty properties, which equated to around 12/13% of its stock. He reported that the Scottish Government had tightened legislation in 2016 in respect of empty properties to reduce the risk of abuse. Internal Audit recommended that regular monitoring of empty properties be carried out, which had been agreed by Management.

Windygoul Primary School

In relation to the grade, Mr Allan clarified that moderate was the middle grading out of five; he advised that many of the recommendations were quite detailed and most were already in place. Fiona Robertson, Head of Education, concurred with the findings. She informed Members that a new Principal Officer had been appointed who would be working with all staff across primary schools sharing best practice to ensure that this situation was not replicated in other schools.

Conflicts of Interest

The Convener remarked that it could be quite difficult to understand what a conflict of interest actually meant, perhaps more education on this was needed. Mr Allan referred to the framework that was being developed which would set out what may be a conflict of interest and would also promote awareness.

Contracts

Mr Moore clarified, in respect of dates of completion recorded as ongoing, that the issue related to getting contracts put in place. The Procurement Team now had a member of staff working solely with the service area to identify high priority areas first, but it would take some time. Paul Iannetta, Service Manager – Engineering Services & Building Standards, gave further details of the work being carried out by his service area in conjunction with the Procurement Team and the issues to be addressed. The Convener asked that progress be reported in due course.

Regarding grading, Mr Allan gave an explanation of the risk assessment and grading category. He confirmed that the £5,000 limit for quotes was in accordance with the Council's Corporate Procurement Procedures. Mr Lamond added that it was Council policy so there was discretion in setting that limit. He clarified that this limit had been in place for some time.

Mr Allan then took the Committee through the findings in respect of Internal Audit's recommendations to previously issued audit reports for 4 areas (Taxicard Scheme, Non-Residential Charging, ALEO (Enjoy East Lothian Limited) and Training). He informed Members that the date of completion for 3.2.1 (page 49) should read November 2018 not April 2018. He also drew attention to the Internal Audit progress report for 2018/19.

Decision

The Committee agreed to note:

- (i) the main findings and recommendations from Internal Audit reports issued during the period from December 2018 to February 2019 as contained in Appendix 1;
- (ii) the findings from Internal Audit's follow-up work as contained in Appendix 2;
- (iii) Internal Audit's progress against the annual audit plan for 2018/19 as set out in Appendix 3.

3. INTERNAL AUDIT PLAN 2019/20

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Audit and Governance Committee of Internal Audit's operational plan for 2019/20.

Mr Allan presented the report outlining the factors taken into account when preparing the annual audit plan, the procedures for undertaking reviews, the audit coverage and internal audit performance indicators. He informed Members that there were twenty financial and non-financial audits listed in the plan, ensuring a broad coverage.

Councillor Williamson asked how the number of weeks was calculated. Mr Allan advised that most audits were planned for 5 weeks, some audits took longer, some not as long but this was a reasonable estimate.

Responding to the Convener, Mr Allan advised that the 2019/20 plan had the same number of audits as the previous plan but the number of weeks had been reduced for some of the auditable areas.

Mr Allan, responding to questions about the length of time (20 weeks) for the Integration Joint Board (IJB) audit, advised that this covered three audits together with time for follow-up work and the preparation of the annual Internal Audit opinion and report. For the IJB, three audits were carried out annually by Internal Audit and one was carried out by the NHS Lothian Internal Audit team. Alison Macdonald, Acting Director of the Health and Social Care Partnership (HSCP), confirmed that this was a shared commitment across the Council and NHS Lothian.

Decision

The Committee approved the Audit Plan for 2019/20.

4. ANNUAL AUDIT PLAN 2018/19

A report was submitted by Audit Scotland setting out the terms of the 2018/19 Annual Audit Plan.

Esther Scoburgh from Audit Scotland presented the report. She provided Members with an overview of the audit plan including the key audit risks and planned works. She drew specific attention to the Dr Bruce Fund and to the proposed audit fee. She advised that follow-up work would be carried out in relation to the Best Value Assurance report.

Responding to questions from Councillor McLeod about ongoing assessment of the IJB's financial position, Ms Scoburgh clarified that Audit Scotland attended the IJB Audit and Risk Committees, in addition monitoring took place throughout the year and meetings took place with the IJB Finance Officer on a regular basis. Audit Scotland was aware, throughout the year, of the financial situation. Mr Lamond added, from a Council perspective that this was referred to in the quarterly finance progress reports that went to Council; the Q3 2017/18 report had made specific mention to this.

The Convener queried how incorporation of best value was demonstrated. Ms Scoburgh advised that last year Audit Scotland had chosen specific areas to investigate/follow up; the work planned this year would focus of the Council's progress

towards implementing last year's recommendations. She drew attention to paragraph 40 on page 77, which gave further information on the process that would be followed.

Decision

The Committee agreed to note the contents of the report and the proposed audit fee.

5. HEALTH AND SOCIAL CARE RISK REGISTER

A report was submitted by the Chief Executive presenting the Health and Social Care Risk Register for discussion, comment and noting.

Scott Kennedy, Emergency Planning and Risk Officer, presented the report outlining the background to the register and the risk matrix, which was used to evaluate individual risks. He advised that the current Health and Social Care Risk Register contained 9 High risks, 11 Medium risks and 2 Low risks. As per the Council's Risk Strategy only the Very High and High risks were being reported to the Committee.

Councillor Williamson, referring to risk H&SC2 (*Access to Primary Medical Services*), queried whether the Riverside Medical Practice in Musselburgh should be included, alluding to dissatisfaction expressed by constituents. Ms Macdonald noted the point. She referred to the Primary Care Improvement Plan advising that the HSCP was working collaboratively with medical practices to improve access to primary care. She indicated that 100% of same day access requests were now being met. She advised that improvements suggested that this particular medical practice did not need to be included in the register.

In response to questions from Councillor Mackie relating to risk H&SC7 (*Staff Resource*), Ms Macdonald stated that generally recruitment in East Lothian was positive. She reported that different ways of getting young people into this sector were currently being explored, including the Modern Apprentice Scheme.

The Convener asked for further details regarding risk H&SC8 (*Specific Non-Compliance with GDPR*). Ms Macdonald advised that this related to a specific risk with payment cards; the supplier was a third party US based processor, this matter had been checked through with Legal Services.

Responding to a further question from the Convener about risk H&SC6 (*Public Protection*), Ms Macdonald advised that this was under constant scrutiny; case reviews were carried out when/if required. If a recommendation came in or new guidance was issued then this would be dealt with accordingly.

Councillor McLeod referred to concerns raised regularly by constituents in relation to GP appointments. He indicated that Ms Macdonald would be attending local community meetings in his area in the near future in connection with this issue.

Decision

The Committee agreed to note the Health and Social Care Partnership Risk Register and in doing so that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk

- the total profile of the Health and Social Care Partnership risk can be borne by the Council at this time in relation to the Council's appetite for risk
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Health and Social Care Partnership and are likely to be a feature of the risk register over a number of years.

6. EDUCATION RISK REGISTER

A report was submitted by the Chief Executive to present to the Committee the Health and Social Care Risk Register for discussion, comment and noting.

Mr Kennedy presented the report referring to the general background provided in his introduction to the previous item. He advised Members that the Education Risk Register currently included 10 High risks, 6 Medium risks and 3 Low risks.

Ms Robertson responded to questions from Councillor McLeod regarding risk ED1 (*Workforce Recruitment and Retention*). She stated that work continued on an ongoing basis to mitigate against this risk becoming very high. She outlined the range of schemes/programmes in place, advising that bringing in new ways of learning, being creative and looking at possible solutions were being done; there were a raft of strategies in place.

Councillor Mackie, referring to risk ED2 (*Expansion of Early Learning and Childcare to 1140 hours*), queried the biggest challenge. Ms Robertson indicated this was physical space. She referred to the connection to growth through the Local Development Plan. Strong governance arrangements were in place through the 1140 hours Project Board. There was a clear programme of expansion, which had to be taken into account when school extensions were taking place but she added that parental choice had also to be considered. She stressed the complexity of the 1140 hours expansion programme.

Ms Robertson, responding to questions from Councillor Mackie about risk ED7 (*Educational Attainment*), confirmed that young people in East Lothian were receiving the level and quality of education required. She drew attention to the peer review system, to self-evaluation by teaching staff and to the strengthening of quality assurance monitoring to ensure educational attainment across all schools. Councillor Mackie welcomed the communication with parents through the working group for Wallyford High School and asked if this would be continuing; Ms Robertson confirmed this would be continuing.

The Convener, referring to risk ED3 (*Additional Support Needs (ASN)*) requested further clarification. Ms Robertson advised that it was highlighted as a risk because the range of needs was increasing but early identification helped inform intervention strategies. The service area worked closely with other groups/sectors, looking at joint intervention and partnership working to review the nature of specialist provision. In response to follow up questions, Ms Robertson clarified the position for children outwith the ASN grouping. She reported that the Council had been commended for its range of policies and adherence to the GIRFEC (Getting it Right for Every Child) agenda, stating that staff ensured that the needs for all children were met equitably.

Decision

The Committee agreed to note the Education Risk Register and in doing so that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
- the total profile of the Education risk can be borne by the Council at this time in relation to the Council's appetite for risk.
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Education and are likely to be a feature of the risk register over a number of years.

7. LOCAL GOVERNMENT IN SCOTLAND: FINANCIAL OVERVIEW (ACCOUNTS COMMISSION, NOVEMBER 2018)

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) to review East Lothian council's position in relation to the findings of the Accounts Commission report, '*Local Government in Scotland: Financial Overview 2017/18*'.

Mr Vestri presented the report explaining the background to the production of the Audit Scotland report and outlining the key findings and recommendations. He drew Members' attention to the Council's response to the recommendations, its financial position compared to other local authorities across the country and the financial outlook for local authorities. He referred to the IJB overview, which was a new section of the Audit Scotland report.

Councillor McLeod queried the information within Exhibit 2 (*section 10, page 123*) remarking that the red colour coding was misleading. Mr Lamond gave a detailed explanation of the figures. Ms Scoburgh indicated she would relay the comments on colour coding to the report authors.

In response to Councillor Williamson, Ms Scoburgh stated that Audit Scotland presented their report with recommendations. She stressed that Audit Scotland was an independent body, who also audited the Scottish Government. She clarified that there was engagement with the Scottish Government. Mr Lamond informed Members that despite one-year financial settlements, a 5-year financial strategy by the Scottish Government was a welcome step forward. It was also important to note that the Cabinet Secretary for Finance had given a pledge that in future, settlements to local government would be on a 3-year basis.

Councillor Dugdale requested further information about the Grant Aided Expenditure (*section 18, page 125*); Ms Scoburgh indicated she did not have this available but would relay this query to the report authors for a response.

In response to the Convener's query, Mr Lamond indicated that the Council's position as regards gross and net external debt compared to its annual income, Exhibit 8 (*page 133*), was as stated; this was in accordance with the financial strategy and was relative to the Council's financial circumstances.

Decision

The Committee agreed to note the contents of the report.

DRAFT

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 18 June 2019
BY: Depute Chief Executive (Resources & People Services)
SUBJECT: Internal Audit Report – June 2019

2

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued, and follow-up work completed, since the last meeting of the Committee and to provide an update on progress made against the 2018/19 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from Internal Audit reports issued during the period from March 2019 to June 2019 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work;
 - iii. Internal Audit's progress against the annual audit plan for 2018/19 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee, final reports have been issued in respect of the following audits: Building Standards, Council Tax Recovery and Enforcement, Bank Reconciliations, Performance Indicators, Planning Enforcement and Business Grants.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Building Standards – Reasonable Assurance
 - Council Tax Recovery and Enforcement – Reasonable Assurance

- Bank Reconciliations – Reasonable Assurance
- Performance Indicators – Moderate Assurance
- Planning Enforcement – Moderate Assurance
- Business Grants – Moderate Assurance

3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for six audits that were reported in 2017/18. Our findings are detailed below.

Gas Servicing and Maintenance

3.5 Internal Audit's report on Gas Servicing and Maintenance was issued in September 2017. Our follow-up review has highlighted that all nine recommendations made have been implemented.

Performance Bonds

3.6 Internal Audit's report on Performance Bonds was issued in February 2018. Our follow-up review has highlighted that all four recommendations made have been implemented.

Care at Home Payments

3.7 Internal Audit's report on Care at Home Payments was issued in June 2018. Our follow-up review has highlighted that all six recommendations made have been implemented.

Performance Indicators

3.8 Internal Audit's report on Performance Indicators was issued in June 2018. Our follow-up review has highlighted that the two recommendations made have been implemented.

Throughcare and Aftercare

3.9 Internal Audit's report on Throughcare and Aftercare was issued in June 2018. Our follow-up review has highlighted that all seven recommendations made have been implemented.

Non-Domestic Rates

3.10 Internal Audit's report on Non-Domestic Rates was issued in June 2018. Our follow-up review has highlighted that all four recommendations made have been implemented.

Progress Report 2018/19

3.11 The progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2018/19.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Peter Moore / Stuart Allan
DESIGNATION	Senior Auditors
CONTACT INFO	01620 827704 / 827311
DATE	6 June 2019

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
BUILDING STANDARDS****1. EXECUTIVE SUMMARY****1.1 Introduction**

A review of the controls in place for Building Standards income was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Appropriate arrangements are in place to ensure compliance with relevant legislation – for statutory fees, the scale of fees and charges is in accordance with the rates set by the Scottish Government.
- Up to date procedures are in place, providing clear guidance to members of staff.
- Appropriate checking arrangements are in place for all building warrant applications received (both paper and online applications).
- The Uniform system automatically calculates the fee amount due, based on the estimated cost of works.
- Adequate arrangements are in place for the recording of all income received and for the preparation of daily income returns.
- Fee income received is accurately recorded on the Uniform system and receipts are issued to all applicants.
- Regular reconciliations of income received are carried out between the Uniform system and the Council's general ledger.
- Appropriate banking procedures are in place – all cash and cheques received are checked and prepared for banking on a daily basis.
- Design and construction discounts given are in accordance with legislation.

1.3 Areas with Scope for Improvement

- There was a lack of evidence of non-statutory fees being regularly reviewed to ensure that fees are set at an appropriate level. *Risk – failure to recover costs.*
- Currently only one member of staff is able to carry out the monthly reconciliations. *Risk – failure to undertake reconciliations in the absence of the member of staff.*
- The arrangements in place for the processing of online refunds require review – there was a lack of adequate arrangements for the checking and authorisation of online refunds, while the reasons for the refunds were not being recorded on the Uniform system. *Risk – errors and irregularities may occur and remain undetected.*
- There was a failure to ensure that all applicants were informed in writing of the amount of any refund given and the reason for the refund. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Based on our review of Building Standards income, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Stuart Allan
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.2.2	Appropriate monitoring should be carried out of invalid applications recorded on the Uniform system.	Medium	Management Systems and Administration Officer	Agreed		In place
3.3.2	Management should ensure that non-statutory fees are reviewed on a regular basis.	Medium	Management Systems and Administration Officer	Agreed		August 2019
3.4.1	Management should ensure that all cash and cheque payments received are recorded in the Payments Received sheets.	Medium	Business Support Co-ordinator	Agreed		In place
3.4.5	Management should ensure that an additional member of staff is trained in the reconciliation process.	Medium	Management Systems and Administration Officer	Agreed		December 2019
3.5.1	For all applications received, Management should ensure that the correct warrant type is recorded on the Uniform system. Appropriate action should be taken to rectify the errors identified in the calculation of refunds.	Medium Medium	Management Systems and Administration Officer Management Systems and Administration Officer	Agreed Agreed		In place In place

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.2	Management should ensure that appropriate arrangements are in place for the checking and authorisation of online refunds.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.3	Management should ensure that the reasons for all refunds made are clearly recorded on the Uniform system.	Medium	Management Systems and Administration Officer	Agreed		In place
	Management should ensure that withdrawn applications are not deleted from the Uniform system, but are marked as withdrawn and retained on the system.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.4	For all refunds made, the applicant should be advised in writing of the amount and the reason for the refund.	Medium	Management Systems and Administration Officer	Agreed		In place
3.5.5	Management should review the posting of online refunds to the general ledger, with a view to ensuring that refunds made can be clearly identified in the ledger.	Medium	Management Systems and Administration Officer	Agreed – subject to discussion with systems.		December 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.6.2	Management should ensure that the Uniform system is accurately updated with details of design and construction certificates.	Medium	Business Support Co-ordinator	Agreed		August 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT COUNCIL TAX – RECOVERY AND ENFORCEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls surrounding the administration of Council Tax Recovery and Enforcement was undertaken as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate procedures are in place to ensure that reminder letters and final demand notices are issued promptly to taxpayers who have defaulted on their Council Tax payments.
- A clear audit trail exists on the Capita system for each stage of recovery, including details of the date recovery action was taken and the current status of the debt.
- Adequate arrangements are in place to ensure that reconciliations are carried out between the debt approved for write-off and the amounts written off on the Capita system.
- The Capita system has been correctly set up to calculate the 10% surcharge applied to debt outstanding on the summary warrant.
- The terms of agreed repayment arrangements had been confirmed to taxpayers in writing.

1.3 Areas with Scope for Improvement

- The existing Council Tax recovery procedures require to be reviewed and updated to ensure that clear guidance is provided to staff. *Risk – failure to adopt a consistent approach.*
- The current process for managing Council Tax arrears requires review – there was a lack of checking procedures in place to ensure that the status applied to debt held by the Council was valid and in some instances, review dates had not been placed on accounts where appropriate follow-up action was required. *Risk – non-collection of Council Tax arrears.*
- The monitoring arrangements in place require review – for the two months examined, there was a lack of evidence to confirm that the high level debt reports had been reviewed. *Risk – failure to recover Council Tax arrears.*
- In a number of cases, a write-off request form had not been completed and approved by the Council Tax Team Leader, prior to the debt being entered on the write-off spreadsheet. *Risk – errors and irregularities may occur and remain undetected.*

1.4 Summary

Based on our review of Council Tax Recovery and Enforcement, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Andrew Steven
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the existing Council Tax recovery procedures are reviewed and updated to provide clear guidance to staff responsible for administering Council Tax.	Medium	Council Tax Team Leader	Agreed		October 2019
3.3.3	Management should review the adequacy and effectiveness of the current arrangements in place for monitoring Council Tax debt held by the Council. Consideration should be given to introducing a flag on the Capita system to highlight when accounts with Council Tax arrears were last reviewed.	Medium Medium	Council Tax Team Leader Council Tax Team Leader	Agreed – will be incorporated as part of the service review when the Debt Management function becomes part of the Council Tax Team. Agreed – markers have recently been introduced to flag the month that accounts were last checked and review dates are now being added.		November 2019 In place
3.3.4	Management should ensure that appropriate checking procedures are in place to confirm that the status applied to Council Tax debt is valid.	Medium	Council Tax Team Leader	Agreed		November 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.4 (cont)	Management should ensure that a review date is placed on Council Tax accounts where appropriate follow-up action is required.	Medium	Council Tax Team Leader	Agreed		November 2019
	Management should review the current recovery process for taxpayers on Universal Credit, where changes to the award of Council Tax Reduction automatically advance the payment date and prevent the account from progressing to the next stage of recovery.	Medium	Council Tax Team Leader	Agreed – the Council is part of the Scottish Government review of the Council Tax Reduction Scheme, which is focusing on problems with Universal Credit.		Ongoing
	Management should review the current practice of placing a queued for third party deduction status on debt, where an Attachment of Benefits has been set up for one year's debt, but the taxpayer is not making additional payments towards the overall debt.	Medium	Council Tax Team Leader	Agreed – a review of the current practice will be carried out and of benefit entitlement to confirm if taxpayers have migrated on to Universal Credit.		November 2019
3.4.3	Management should review the effectiveness of agreeing further repayment plans with taxpayers who have continually defaulted on agreed arrangements.	Medium	Council Tax Team Leader	Agreed – the effectiveness of arrangements are continually being reviewed.		June 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.3 (cont)	Management should ensure that the terms of agreed repayment plans seek to clear the current year debt by the end of the financial year.	Medium	Council Tax Team Leader	Agreed		June 2019
3.5.3	Management should ensure that a write-off request form is completed for all write-offs and that the form is properly authorised by the Council Tax Team Leader prior to being entered on the write-off spreadsheet.	Medium	Council Tax Team Leader	Agreed – the procedures were changed during 2018/19, so that Debt Management Officers also complete the forms.		June 2019
	Consideration should be given to providing details on the write-off request form of all the checks that have been undertaken prior to recommending the debt for write-off.	Medium	Council Tax Team Leader	Agreed – the form will be reviewed.		July 2019
3.5.5	Management should ensure that the Department for Work and Pensions are contacted to cancel the direct deduction following a taxpayer's sequestration.	Medium	Council Tax Team Leader	Agreed		July 2019
	Management should ensure that where a taxpayer is sequestrated, any credit balances on the taxpayer's old account are transferred to the new account.	Medium	Council Tax Team Leader	Agreed		July 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.6	Management should ensure that the credit balance on the deceased taxpayer's tenancy is transferred from the Orchard system to the taxpayer's account and the amount written back on.	Medium	Council Tax Team Leader / Rent Income Team Leader	Agreed		June 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BANK RECONCILIATIONS

1. EXECUTIVE SUMMARY

1.1 Introduction

A review of the internal controls in place for Bank Reconciliations was carried out as part of the Audit Plan for 2018/19. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that bank reconciliations are performed on a monthly basis.
- A Statement of Current Working Method is in place for the preparation of bank reconciliations, in accordance with the Council's Financial Regulations.
- Adequate separation of duties exists – members of staff with responsibility for preparing bank reconciliations do not undertake cash handling duties.
- Adequate arrangements are in place to ensure that bank reconciliations are reviewed by an independent officer.
- Appropriate supporting documentation is held on file for all bank reconciliations carried out.
- Procedures are in place for identifying out of date cheques and appropriate adjusting entries are being made.

1.3 Areas with Scope for Improvement

- The existing procedures for bank reconciliations require to be reviewed and updated to ensure that clear guidance is provided to staff. *Risk – failure to adopt a consistent approach.*
- In some instances, there was a lack of a clear audit trail – the Revenues account cashbook did not contain a complete record of all transactions that had been posted in the month. *Risk – errors and irregularities may occur and remain undetected.*
- The approach adopted for preparing bank reconciliations requires review – reconciliations do not currently compare the bank balance and the cashbook balance as at the same date. *Risk – failure to identify genuine month end timing differences.*

1.4 Summary

Based on our review of Bank Reconciliations, Internal Audit can provide reasonable assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Andrew Steven
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.2	Management should ensure that detailed procedures are in place outlining the key stages in the bank reconciliation process for each bank account.	Medium	Chief Operating Officer Finance / Treasury and Banking Officer	Agreed		December 2019
3.3.3	<p>Management should ensure that the daily Unmarked Statement Transaction Report provides clear explanations for all follow-up action taken and adjustments made.</p> <p>Management should review the Revenues account cashbook on Great Plains, to establish why certain transactions cannot be located in the cashbook following the bank reconciliation.</p> <p>A separate record should be maintained of the monthly transactions in the Revenues account cashbook to ensure that a clear audit trail exists.</p>	<p>Medium</p> <p>Medium</p> <p>Medium</p>	<p>Chief Operating Officer Finance / Treasury and Banking Officer</p> <p>Chief Operating Officer Finance / Treasury and Banking Officer</p> <p>Chief Operating Officer Finance / Treasury and Banking Officer</p>	<p>Agreed</p> <p>Agreed</p> <p>Agreed – an interim record will be held.</p>		<p>July 2019</p> <p>September 2019</p> <p>June 2019</p>
3.3.4	Management should review the approach currently adopted for bank reconciliations, whereby the bank balance and the cashbook balance are not being compared on the same date.	Medium	Chief Operating Officer Finance / Treasury and Banking Officer	Agreed – a review will be carried out.		Ongoing

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PERFORMANCE INDICATORS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of the systems in place for the preparation and reporting of performance information.

Our review has focused on the Local Government Benchmarking Framework (LGBF) indicators for 2017/18, as published by the Improvement Service. The Framework covers seven service areas and for 2017/18, we reviewed four Adult Social Care indicators:

- SW1 – Home Care Costs per hour for people aged 65 or over. 2017/18 – £16.75 per hour (2016/17 – £15.93 per hour)
- SW2 – SDS (Self-Directed Support) spend on adults 18+ as a % of total social work spend on adults 18+. 2017/18 – 3.88% (2016/17 – 4.38%)
- SW3a – % of people aged 65 or over with long term care needs receiving personal care at home. 2017/18 – 63.94% (2016/17 – 63.52%)
- SW5 – Residential Care Costs per week per resident for people aged 65 or over. 2017/18 – £408 per week (2016/17 – £454 per week)

1.2 Areas where Expected Controls were Met

- The Improvement Service calculate the indicators based on information prepared by the Council, including Local Financial Returns (LFRs) and the Scottish Government quarterly monitoring survey.
- A detailed report on LGBF indicators for 2017/18 was presented to the Council's Policy and Performance Review Committee (PPRC) on 27 February 2019. Appendix 1 to the report provided a summary of the results for each indicator, including comparison to the previous year's performance, the Scottish average and the overall rank position.

1.3 Areas with Scope for Improvement

- One-off non-recurring items or changes in accounting allocations can impact on the reported figures. *Risk – lack of comparability between years.*
- For the four Adult Social Care indicators reviewed, the commentary provided in the PPRC report failed to clearly outline the reasons for changes in the indicators. *Risk – failure to provide a clear insight into the reported figures or to changes in performance.*

1.4 Summary

Based on our review of Performance Indicators, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Stuart Allan
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
5.1	Management should ensure that the report on the Council's LGBF indicators, prepared for the Council's PPRC, provides a clear commentary outlining the reasons for all changes in the reported indicators.	Medium	Group Service Manager – Planning and Performance	Agreed – Data group has been re-established to oversee indicators and targets and will provide commentary in the future.		June 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT PLANNING ENFORCEMENT

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of Planning Enforcement. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- The Council has appropriate arrangements in place for complying with relevant legislation in respect of the enforcement of planning control.
- The Council has a Planning Enforcement Charter in place – the Charter was updated in April 2018 and sets out the standards that the public should expect of the Council in dealing with enforcement complaints.
- A record is maintained on the Uniform system of all complaints received – each complaint is given a unique reference number and the system records the date of the complaint and details of the initial site visit undertaken.
- The Council maintains an Enforcement Register, which is available for public inspection.

1.3 Areas with Scope for Improvement

- In a number of cases, the timescales specified in the Planning Enforcement Charter, for advising complainants of the findings and of any proposed action, were not being complied with. *Risk – failure to comply with service standards.*
- In a number of cases, there was a lack of adequate information held on the Uniform system to record the actions taken for each reported breach or how the breach was resolved. *Risk – lack of a clear audit trail.*
- In a number of cases, insufficient detail was provided clearly setting out the final decision made and the reasons for the decision. *Risk – lack of a clear explanation for decisions made.*
- There was an inconsistency of approach to recording information on the Uniform system, where Enforcement Notices are issued. *Risk – lack of a clear audit trail.*

1.4 Summary

Based on our review of Planning Enforcement, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Peter Moore
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Management should ensure that copies of the Planning Enforcement Charter are available in all public libraries.	Low	Service Manager – Planning	Copies of the Planning Enforcement Charter emailed to all libraries.		July 2019
3.2.2	Management should ensure that both versions of the Enforcement Register comply with the legislation.	Medium	Service Manager – Planning	Ensure that the names of the persons on whom the notice is served are available to view on the online version of the Enforcement Register.		July 2019
3.3.1	Management should ensure that the Uniform system contains a clear audit trail of the actions taken for each reported breach, together with details of how the breach was resolved.	Medium	Service Manager – Planning	Ensure that in all cases the closure section on Uniform is completed and contains information providing details of the final decision.		July 2019
3.3.2	Management should ensure that the Uniform system is updated timeously to reflect the current stage of a complaint.	Medium	Service Manager – Planning	Ensure that sufficient detail of the actions taken to resolve a complaint is entered into Uniform system.		July 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>Management should ensure that complainants reporting potential breaches are advised of the findings and of any proposed action, within the timescales specified in the Council's Service Standards.</p> <p>Management should ensure that a clear record is maintained of all actions taken to resolve a complaint.</p>	Medium	Service Manager – Planning	Ensure that Service Standards detailed within the Planning Enforcement Charter are met.		July 2019
3.4.1	Management should ensure that adequate records are maintained of actions taken following the issuing of an Enforcement Notice.	Medium	Service Manager – Planning	Ensure that Uniform system is updated accordingly with details about compliance with an Enforcement Notice.		July 2019
3.4.2	Management should ensure that a consistent approach is taken, on the Uniform system, to recording the reasons for issuing a notice or for taking other courses of action.	Medium	Service Manager – Planning	Ensure that relevant information is added to Uniform providing an explanation of the case specific reasons for serving a notice or for taking other courses of action.		July 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

EAST LOTHIAN COUNCIL – INTERNAL AUDIT BUSINESS GRANTS

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2018/19, a review was undertaken of Business Grants. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Investment and consultancy grants awarded are eligible for 40% funding from the European Regional Development Fund (ERDF) – a joint application for funding was submitted by West Lothian Council (lead partner) on behalf of East Lothian, Midlothian, City of Edinburgh and West Lothian Councils.
- Grant funding being awarded is linked to the Council's objective of Growing our Economy.
- Adequate supporting documentation is held for all funding applications received.
- Appropriate monitoring visits are being undertaken for organisations who have been awarded grant funding.
- Appropriate procedures are in place for the recommendation and authorisation of grants – in all cases an adviser recommended and a separate person approved the grant award.

1.3 Areas with Scope for Improvement

- There was a lack of clear guidance for applicants setting out the eligibility criteria for grant awards. *Risk – ineligible activities may receive funding.*
- In some cases, there was a lack of evidence being retained to demonstrate the eligibility of funding provided. *Risk – ineligible grant awards may result in the full amount of the grants being borne by the Council.*
- There was a lack of a clear audit trail of all adjustments made to funding claims. *Risk – errors may occur and remain undetected.*
- The findings from the verification and compliance audit undertaken by the Scottish Government's Internal Auditors require review. *Risk – the full cost of grant awards made may be borne by the Council.*

1.4 Summary

Based on our review of Business Grants, Internal Audit can provide moderate assurance on the adequacy and effectiveness of the systems of internal control. Detailed findings and recommendations are contained in our main audit report.

Peter Moore
Senior Auditor

June 2019

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/MANAGED	AGREED DATE OF COMPLETION
3.1.2	<p>Management should ensure that all stages in the processing of grant applications are being followed on a consistent basis.</p> <p>Management should ensure that clear guidance on the eligibility criteria for grant awards is available to applicants.</p>	Medium	Team Manager Business Development	Agreed		September 2019
3.2.1	Management should ensure that an application form is received prior to funding being awarded.	Medium	Team Manager Business Development	Agreed		September 2019
3.3.2	Management should ensure that investment grants are only made for activities which clearly meet the ERDF funding criteria.	Medium	Team Manager Business Development	Agreed		September 2019
3.3.3	Management should ensure that sufficient evidence is retained to demonstrate the eligibility of funding provided.	Medium	Team Manager Business Development	Agreed		September 2019

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3 (cont)	Management should ensure that all conditions of the funding contract are complied with by the applicant, including obtaining quotes, prior to grant awards being made.					
3.4.2	Management should ensure that all grant objectives have been achieved.	Medium	Team Manager Business Development	Agreed		September 2019
3.5.1	Management should ensure that a clear audit trail is maintained of all adjustments made to funding claims. Management should seek to ensure that ERDF funding is received timeously.	Medium	Team Manager Business Development	Agreed		September 2019
3.6.1	Management should review the findings from the verification and compliance audit undertaken and ensure that action is taken to address the points raised.	High	Team Manager Business Development	Agreed		September 2019

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance – Definitions

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used.

Opinion	Definition
Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.
Reasonable Assurance	Whilst there is a sound system of internal control, there are minor weaknesses, which may put some of the objectives at risk or there is evidence of non-compliance with some of the controls, which may put some of the objectives at risk.
Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.

INTERNAL AUDIT PROGRESS REPORT 2018/19

APPENDIX 2

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
VAT	For all payments processed by the Council, we will examine the arrangements in place to ensure that VAT is correctly accounted for.	September 2018	Completed
Adult Services – Residential Care	We will review the arrangements in place for the assessment and charging of clients in residential care.	September 2018	Completed
IT Systems Access	We will review the IT access controls/access rights in place for all the Council’s main systems.	September 2018	Completed
Trade Waste Income	We will review the arrangements in place for the billing and collection of trade waste income.	November 2018	Completed
Adult Services – Payments on Schedule	We will review payments on schedule processed through the Mosaic system – our audit will focus on the arrangements in place for the recovery of credit balances.	November 2018	Completed
Adult Services – Transport	We will review the transport arrangements within Adult Services – as part of the review we will assess if the arrangements in place for securing transport are cost effective and well managed.	November 2018	Completed
Conflicts of Interest	We will examine the arrangements in place for the disclosure of potential conflicts of interest by members of staff.	November 2018	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Schools	We will review the financial arrangements operating within one school to ensure compliance with the financial procedures in place.	November 2018	Completed
NDR – Liability	We will continue our audit work on Non-Domestic Rates (NDR) – in 2018/19, we will review the arrangements in place for determining NDR liability.	February 2019	Completed
Disclosure Checks	We will review the disclosure checking arrangements in place for members of staff and volunteers working with children and/or protected adults.	February 2019	Completed
Contracts	As part of our annual review of procurement, we will examine a sample of contracts to ensure compliance with the Council's Corporate Procurement Procedures.	February 2019	Completed
Business Grants and Loans	We will review the arrangements in place for the awarding of grants and loans to businesses within East Lothian.	February 2019	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2019	Completed
Planning Enforcement	We will check to ensure that planning enforcement is being carried out in accordance with legislation and Council policy.	February 2019	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Bank Reconciliations	We will check to ensure that appropriate and effective systems of control are in place for the Council's bank accounts.	June 2019	Completed
Council Tax	We will continue our audit work on Council Tax – for 2018/19, our review will focus on the procedures in place for the recovery of Council Tax arrears.	June 2019	Completed
Building Standards	We will examine the arrangements in place for the processing of applications received for building warrants, including the collection of income due to the Council.	June 2019	Completed
Creditors	We will review the procedures in place for processing supplier invoices for payment and we will check to ensure that adequate arrangements are in place for the prevention and detection of duplicate payments.	June 2019	In Progress
Following the Public Pound	We will review the monitoring arrangements in place for a sample of organisations receiving partnership funding from the Council in 2018/19.	June 2019	In Progress
Fixed Assets	We will review the systems in place for maintaining and updating the Council's Fixed Asset Register.	June 2019	Outstanding

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Annual Internal Audit Report 2018/19

3

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2018/19 and supports both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2018/19.

3 BACKGROUND

- 3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit Unit seeks to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 Internal Audit reports administratively to the Depute Chief Executive (Resources and People Services), functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.
- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all

aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2018/19 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures, which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards and an External Quality Assessment of the Council's Internal Audit service was undertaken in May 2018 by the Chief Internal Auditor of Argyll and Bute Council.

Delivery of the Internal Audit Service

3.5 In February 2018, the Audit and Governance Committee approved the Internal Audit Plan for 2018/19. The plan was scoped to address the Council's key risks and strategic objectives.

3.6 In 2018/19, Internal Audit completed 19 audit reviews. In addition, two audit reviews (Creditors and Following the Public Pound) are currently in progress and a further review (Fixed Assets) is outstanding. Table A (see section 3.8 below) outlines the audit work undertaken in 2018/19. For each audit, Internal Audit has provided Management with an assessment of the adequacy and effectiveness of their systems of internal control. Of the 19 audit reviews undertaken in 2018/19:

- In 7 cases, Internal Audit provided Reasonable assurance.
- In 11 cases, Internal Audit provided Moderate assurance.
- In 1 case, Internal Audit provided Limited assurance.

3.7 For the 19 audit assignments undertaken, a total of 156 recommendations were made – 10 recommendations were graded as high (i.e. recommendations which are fundamental to the system and upon which Management should take immediate action); 145 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls) and one recommendation was graded as low (recommendations concerning minor issues that are not

critical, but which may prevent the attainment of best practice). Our recommendations sought to address the weaknesses identified in the design of controls and operating effectiveness.

3.8 We have completed the following reviews in 2018/19:

Table A

Audit Assignment	Level of Assurance
Debtors	Moderate
Procurement of Goods and Services (Property Maintenance)	Limited
Residential Charging	Reasonable
Value Added Tax (VAT)	Reasonable
Payments on Schedule	Moderate
Adult Services – Transport	Moderate
IT Access Controls	Moderate
Trade Waste Income	Moderate
Disclosure Checks	Reasonable
Non-Domestic Rates – Liability	Reasonable
Windygoul Primary School	Moderate
Conflicts of Interest	Moderate
Contracts	Moderate
Council Tax – Recovery and Enforcement	Reasonable
Building Standards	Reasonable
Bank Reconciliations	Reasonable
Performance Indicators	Moderate
Planning Enforcement	Moderate
Business Grants	Moderate

3.9 In addition to the reviews listed in Table A, Internal Audit has undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by Management and have prepared reports for the East Lothian Integration Joint Board (IJB) Audit and Risk Committee.

Conflicts of Interest

3.10 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Indicators

3.11 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2018/19 covers:

- Completion of the annual Audit Plan – 92%
- % of recommendations accepted by Management – 100%
- % of staff with CCAB accounting qualifications – 75%

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	6 June 2019

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Controls Assurance Statement 2018/19

4

1 PURPOSE

- 1.1 Internal Audit has the responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The Committee is asked to note that the Controls Assurance Statement is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2019.

3 BACKGROUND

Sound Internal Controls

- 3.1 The Council's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of the Council's internal control systems are:
- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen

circumstances. The Council is continually seeking to improve the effectiveness of its system of internal control.

The Work of Internal Audit

- 3.3 Internal Audit is an independent appraisal function established by the Council to review its internal control systems. Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 In 2018/19, the Internal Audit Unit sought to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). All internal audit reports identifying system weaknesses or non-compliance with expected controls were brought to the attention of the Chief Executive, Depute Chief Executives, the Council's External Auditor and the Audit and Governance Committee.
- 3.5 The weaknesses outlined in our audit reports are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

Basis of Opinion

- 3.6 Our evaluation of the control environment is informed by a number of sources:
1. The policies and procedures of the Council, including:
 - Standing Orders and Financial Regulations;
 - Strategy for the Prevention and Detection of Fraud and Corruption;
 - Information Security Policy;
 - IT Acceptable Use Policy;
 - Code of Conduct;
 - Disciplinary Code;
 - Disciplinary Procedure;
 - Gifts and Hospitality Policy;
 - Whistleblowing Policy.
 2. The planning, monitoring, review and reporting arrangements within the Council, including:
 - The Budget Setting Process;
 - Monthly Budget Monitoring Statements;
 - Policy and Performance Review Committee;
 - Performance Management Framework;
 - The work of the Council Management Team.

3. The work undertaken by Internal Audit during 2018/19 including planned audits, investigations, follow-up reviews and one-off exercises.
- 3.7 Internal Audit's opinion does not cover the internal control systems of other organisations that are included in East Lothian Council's 2018/19 Statement of Accounts under the Group Accounts section.

Assessment of Controls and Governance

- 3.8 The Annual Internal Audit Report 2018/19 presented to the Audit and Governance Committee summarises the work of Internal Audit during the year. For all areas reviewed, an Executive Summary and Action Plan is submitted to the Audit and Governance Committee. The Action Plan contains detailed recommendations including Management responses to the recommendations made.
- 3.9 The majority of Internal Audit recommendations made in 2018/19 were categorised as medium risk (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls) with a number of high risk recommendations (i.e. recommendations which are fundamental to the system and upon which Management should take immediate action). A summary of all recommendations made during 2018/19 is outlined below:

Recommendations Priority Level	Number of Recommendations	Recommendations %
High	10	6.5
Medium	145	93
Low	1	0.5
Total	156	100

- 3.10 During 2018/19, areas identified with scope for improvement included the following:
- Non-compliance with the Council's Corporate Procurement Procedures and a failure to demonstrate best value.
 - The lack of an overarching framework in place for identifying, monitoring and managing potential conflicts of interest.
 - Internal financial controls including reconciliations, monitoring and checking arrangements and the retention of supporting documentation.
 - Delays in invoices being raised following the supply of goods and services by the Council.
 - The controls in place for the prevention and detection of duplicate payments.

- 3.11 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

Opinion

- 3.12 It is Internal Audit's opinion, subject to the weaknesses outlined in section 3.10 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2019.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Stuart Allan
DESIGNATION	Senior Auditor
CONTACT INFO	01620 827311
DATE	6 June 2019

Jim Lamond
Head of Council Resources
East Lothian Council
John Muir House
Haddington
EH41 3HA

27 May 2019

5

Dear Jim

East Lothian Council - Review of internal controls in financial systems 2018/19

Audit Scotland's Code of Audit Practice requires us to assess the systems of internal control put in place by management. In carrying out this work, we seek to gain assurance that East Lothian Council:

- has systems for recording and processing transactions which provide a sound basis for the preparation of financial statements and the effective management of its assets and interests
- has systems of internal control which provide an adequate means of preventing or detecting material misstatement, error, fraud or corruption
- complies with established policies, procedures, laws and regulation.

Overall conclusion

On the basis of audit work undertaken, we concluded that appropriate and effective internal controls were in place for those key financial systems reviewed by us.

System coverage

The following table summarises the key systems that we have tested in our interim audit for financial year 2018/19.

Key System	External Audit coverage
Payroll	√
General Ledger	√
Trade Payables	√
Trade Receivables	√
Council Tax	√
Non-Domestic Rates	√ (including internal audit reliance)
Housing Rents	√
Cash Receipting and Banking	√

Key findings

Our audit testing did not identify any significant control weaknesses. We did identify some less significant issues in relation to changes to supplier bank details and quality checks for NDR and Council Tax. These were discussed with management so that appropriate actions can be taken.

Employee validation – We reported in our 2017/18 Management Report that the effectiveness of controls over employee validation could be improved by requiring budget holders to formally confirm the accuracy of the staffing lists provided to them as part of the monthly budget financial monitoring process. Officers agreed that budget holders will be required to confirm the accuracy of the staffing lists provided to them as part of the budget monitoring process on an annual basis. We note that some progress has been made for 2018/19 and will be fully implemented for 2019/20.

Payroll standing data - In our 2017/18 Management Report we reported that evidence of the checking of changes to payroll standing data was not retained meaning it was not possible to confirm that the checks had been completed for the 2017/18 financial year. Officers agreed that evidence of checks of payroll standing data for each financial year will be retained until the completion of the annual audit process. This was not retained for 2018/19. We understand that this process will be in place effective from the 2019/20 financial year.

Changes to supplier bank details - Supporting documentation provided for a sample of changes to supplier bank details during the year did not evidence that the Council's checks had been carried out for ten changes from a sample of 15. The Council requests confirmation from suppliers of the previous bank details and the date and value of the last three payments from the Council before changes to bank details are processed. This represents a key control against fraudulent activity and these checks should be evidenced and retained for every change to suppliers' bank details.

Management Resolution: Agreed to review

- The procedures for enacting any changes to bank account details requests has been reviewed, and any change of bank details form must be supported by a completed form / request prior to the bank account details being changed.
- Regular spot checks are now in place to ensure that this process has been followed.

NDR and Council Tax quality checks - Our 2018/19 testing found that the quality checking of processed applications for NDR and Council Tax relief is carried out sporadically, is not applied to the entire population of processed applications and a record of checks is not maintained. This control would be improved if checks were carried out on a stipulated percentage of all processed applications (hard copy and electronic), including those completed by Team Leaders, at a prescribed frequency. A record of all quality checks carried out and any subsequent action taken should be retained until completion of the annual audit process.

Management Resolution: Agreed to review

- The process for quality checks is being reviewed and will be in place for 2019/20

We have placed reliance on internal audit work for Non-Domestic Rates during 2018/19. We found internal audit work to be well documented and supported by appropriate evidence. Therefore, we can place reliance on the internal audit findings and avoid unnecessary duplication of effort.

Risk identification

The issues identified in preparing this Management Letter are only those which have come to our attention during the course of our normal work and are not necessarily, therefore, all the risk areas that may exist. It remains the responsibility of management to determine the extent of the internal control system appropriate to East Lothian Council. We would stress, however, that an effective system of internal control is an essential part of the efficient management of any organisation.

Acknowledgement

The contents of this letter have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit from East Lothian Council is gratefully acknowledged.

Yours sincerely

Gillian Woolman, Audit Director

Cc (email):

Sarah Fortune, Chief Operating Officer Finance

Fiona Currie, Committees Officer - Democratic Services

DRAFT

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Annual Treasury Management Review 2018/19

6

1 PURPOSE

- 1.1 To update the Committee on Treasury Management Activity during 2018/19.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the report.

3 BACKGROUND

- 3.1 The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review.
- 3.2 The attached review updates members on the Treasury Management activity during 2018/19, based on the draft unaudited accounts at the time of finalising this report. Members will be kept informed should there be any significant changes to these figures arising prior to the finalisation of the 2018/19 financial accounts.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report; however the council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – There are no direct financial implications associated with this report however the Council’s Treasury Management activity clearly has a significant impact on the management of the Council’s financial resources.
- 6.2 Personnel - none
- 6.3 Other - none

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2018/19 to 2020/21 – East Lothian Council 27 February 2018.

Treasury Management Mid-Year Review 2018/19 – Audit & Governance 27 November 2018.

AUTHOR’S NAME	Sarah Fortune
DESIGNATION	Chief Operating Officer Finance
CONTACT INFO	sfortune@eastlothian.gov.uk
DATE	10 June 2019



Annual Treasury Management Review 2018/19

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

GDP: gross domestic product – a measure of the growth and total size of the economy.

HRA: housing revenue account.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend).

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

PPP: Private Public Partnership – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – CPI. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

Annual Treasury Management Review 2018/19

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2018/19. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2018/19 the minimum reporting requirements were that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 27/02/2018)
- a mid-year (minimum) treasury update report (Audit and Governance 27/11/2018)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee with the annual strategy approved by Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.) with expenditure in excess of these resources giving rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	2017/18 Actual £m	2018/19 Budget £m	2018/19 Actual £m
General Services			
Capital expenditure	32.954	45.097	37.519
Financed in year	(25.927)	(24.127)	(16.223)
Net borrowing need in year	7.027	20.970	21.296
HRA			
Capital expenditure	21.302	24.364	22.410
Financed in year	(8.517)	(5.735)	(10.926)
Net borrowing need in year	12.785	18.629	11.484

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2018 Actual £m	31 March 2019 Budget £m	31 March 2019 Actual £m
General Services			
CFR	212.919	221.522	222.242
External borrowing position	194.567	201.551	195.535
(Under) / over funding of CFR	(18.352)	(19.970)	(26.707)
HRA			
CFR	178.877	196.403	187.430
External borrowing position	163.459	178.697	164.906
(Under) / over funding of CFR	(15.417)	(17.706)	(22.524)

The authorised limit - the Council has kept within its authorised external borrowing limit as shown by Table 2 in Appendix 1.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

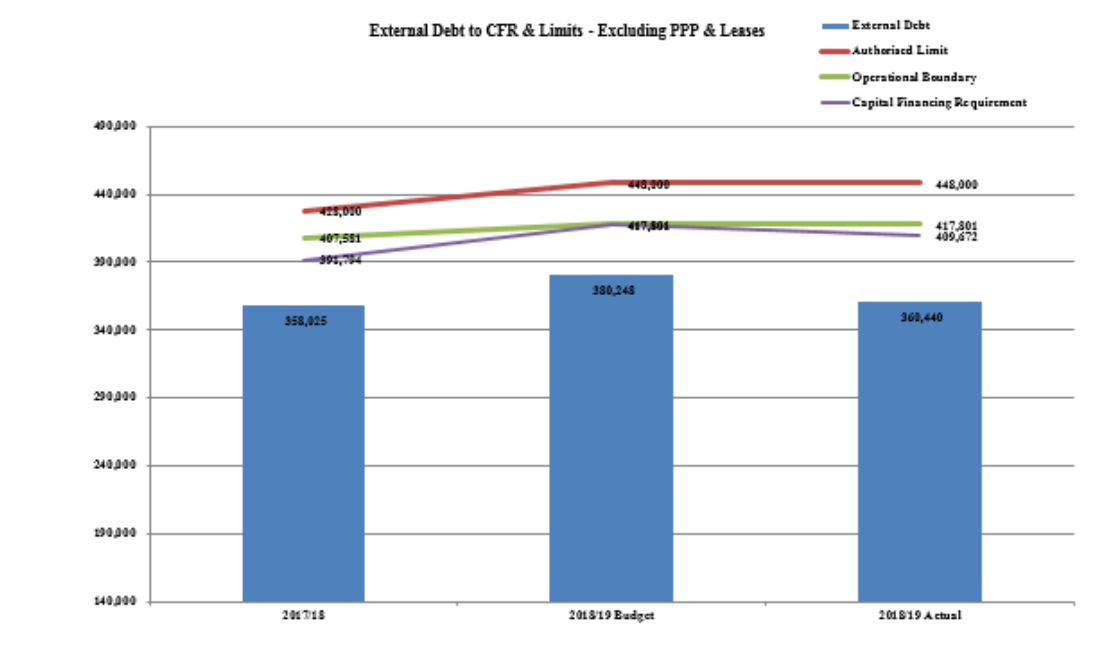
Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

4. Treasury Position as at 31 March 2019

At the beginning and the end of 2018/19 the Council's treasury, (excluding borrowing by PPP and finance leases), position was as follows:

	31 March 2018 Principal £m	31 March 2019 Principal £m
CFR	392	409
Over / (under) borrowing	(34)	(49)
Total external debt	358	360
Total investments	(9)	(9)
Net debt	348	351

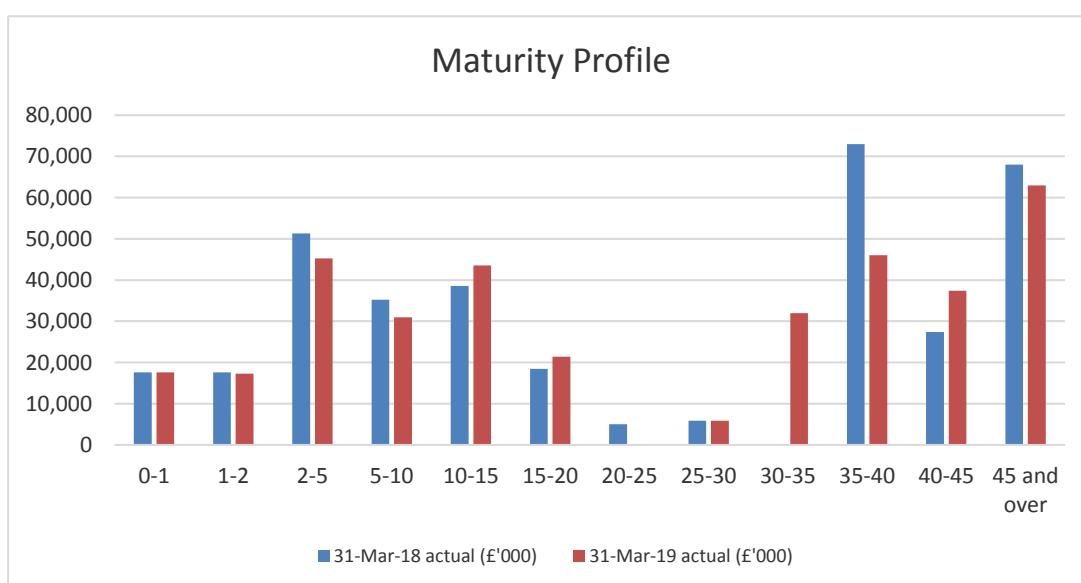
The graph below highlights the level of External Debt against approved boundary limits



As at 31st March 2018 the average interest rate for all external debt was 4% and the average life across all loans outstanding was 24.6 years. As at 31st March 2019 the average interest rate for all external debt was 4% and the average life across all loans was 25 years.

The maturity structure of the debt portfolio was as follows:

	31 March 2018 Actual £m	31 March 2019 Actual £m	Paid or New Loan £m	Nearing maturity date £m
Under 12 months	17.57	17.60	(17.57)	17.60
12 months and within 24 months	17.60	17.27		(0.33)
24 months and within 5 years	51.29	45.30		(5.99)
5 years and within 10 years	35.24	31.00		(4.24)
10 years and within 15 years	38.59	43.54	10.00	(5.05)
15 years and within 20 years	18.44	21.43		2.99
20 years and within 25 years	5.00	-		(5.00)
25 years and within 30 years	5.90	5.90		-
30 years and within 35 years	-	32.00	5.00	27.00
35 years and within 40 years	73.00	46.00		(27.00)
40 years and within 45 years	27.40	37.40		10.00
45 years and over	68.00	63.00	5.00	(10.00)
Total	358.02	360.44	2.43	(0.01)



5. The strategy for 2018/19

5.1 Investment strategy and control of interest rate risk

The Council's investment priorities are security first, liquidity second and then return. The Council adopts a prudent approach to managing risk and followed the approved 2018/19 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment returns remained low during 2018/19. The treasury management strategy for 2018/19 estimated that bank rate interest would rise from 0.50% to 0.75% and a rate rise was agreed at the MPC meeting on 2 August 2018. During this period, our investments were short term. Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November predicted inflationary pressures, particularly from rising wages. Weak GDP growth data after December along with increasing concerns regarding Brexit resulted in investment rates falling back again.

5.2 Borrowing strategy and control of interest rate risk

During 2018-19 the Council continued to maintain an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) was not fully funded by external borrowing as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This was a prudent strategy as investment returns were low and minimising of counterparty risk on investments must be considered.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

The interest rate forecasts predicted gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View 12.2.18													
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB Rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

PWLB rates peaked during October 2018 and most PWLB rates have been on a general downward trend and (apart from the 1 year rate) reached lows for the year towards the end of March. The table below shows the PWLB rates at the start and end of the year, highs and lows during 2018/19 with dates and the average rate during the year.

	1 Year	5 Year	10 Year	25 Year	50 Year
02/04/2018	1.48%	1.85%	2.23%	2.57%	2.29%
29/03/2019	1.48%	1.55%	1.85%	2.40%	2.23%
Low	1.28%	1.50%	1.80%	2.33%	2.16%
Date	29/05/2018	26/03/2019	28/03/2019	26/03/2019	26/03/2019
High	1.64%	2.07%	2.50%	2.93%	2.79%
Date	04/10/2018	10/10/2018	10/10/2018	10/10/2018	12/10/2018
Average	1.50%	1.80%	2.20%	2.66%	2.47%

6. Borrowing Activity during 2018/19

Borrowing – the following loans were taken during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
PWLB	£10m	Fixed interest rate	2.22%	13 years	12/03/2019
PWLB	£ 5m	Fixed interest rate	2.45%	33 years	12/03/2019
PWLB	£ 5m	Fixed interest rate	2.36%	49 years	12/03/2019

This compares with a budget assumption of borrowing at an interest rate of 2.80%.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The following loans were repaid in full during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
PWLB	£ 5m	Fixed interest rate	3.86%	8 years	24/09/2018
PWLB	£10m	Fixed interest rate	3.89%	8 years	24/09/2018

Instalments of £2.60m were also paid on 8 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

7. Investment Activity for 2018/19

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 27 February 2018. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Investments held by the Council

During the first 6 months of 2018/19 and in accordance with the approved strategy 2 short term investments were made and repaid. During this period and during the remaining 6 months any surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Date of Lending	Borrower	Amount	Interest rate	Date repaid
09/05/18	Telford & Wrekin Council	£ 5m	0.57%	10/09/18
21/06/18	North Lanarkshire Council	£ 5m	0.50%	21/09/18

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy

	Loan balance at 31 March 2018 £m	Loan balance at 31 March 2019 £m
East Lothian Housing Association	9.429	9.198
Dunbar Fisherman's Association	0.020	-

Under the new accounting standard IFRS9 effective from 1st April 2018, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services this was £78k for 17/18 and reduced to £72k for 18/19.

Investments held by fund managers

The Council uses Investec as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and ELC Charitable Trusts. The performance of the managers against the benchmark return was:

	Investments held 31 March 2018 £m	Investments held 31 March 2019 £m	Return	Benchmark
Charitable Trusts	3.296	3.393	6.8%	7.0%
Common Good Funds	3.325	3.425	6.8%	7.0%
Total	6.621	6.818	£0.207m	

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2017/18	2018/19	2018/19
	Actual £m	Budget £m	Actual £m
Capital Expenditure			
General Services	32.954	45.097	37.519
HRA	21.302	24.364	22.410
TOTAL	54.256	69.461	59.928
Ratio of financing costs to net revenue stream			
General Services	8.41%	8.77%	8.32%
HRA	32.16%	33.75%	29.91%
Gross borrowing requirement - General Services			
brought forward 1 April	217.559	212.809	212.918
carried forward 31 March	212.918	221.522	222.242
in year borrowing requirement	(4.641)	8.713	9.324
Gross borrowing requirement - HRA			
brought forward 1 April	169.092	181.171	178.877
carried forward 31 March	178.877	191.264	187.430
in year borrowing requirement	9.785	10.093	8.553
CFR			
General Services	212.918	221.522	222.242
HRA	178.877	191.264	187.430
TOTAL	391.795	412.786	409.672
Annual Change in Capital Financing Requirement			
General Services	(4.641)	8.713	9.324
HRA	9.785	10.093	8.553
TOTAL	5.144	18.806	17.877
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D Equivalent	£4,513 £20,565	£4,574 £22,334	£4,625 £21,445
HRA – Debt per dwelling			

	2017/18	2018/19	2018/19
2. TREASURY MANAGEMENT INDICATORS	Actual	Budget	Actual
	£m	£m	£m
Authorised Limit for External Debt -			
Borrowing	427	448	438
Other long term liabilities	40	39	39
Total	467	487	477
Operational Boundary for External Debt -			
Borrowing	391.794	417.924	409.672
Other long term liabilities	39.723	38.245	38.244
Total	431.517	456.169	447.916
Actual External Debt	358.025	380.248	360.440
3. LOANS FUND			
General Services			
Opening balance	218	213	213
Add advances	7	21	21
Less repayments	(12)	(12)	(12)
Closing balance	213	222	222
HRA			
Opening balance	169	181	179
Add advances	13	19	11
Less repayments	(3)	(3)	(3)
Closing balance	179	197	187
Total			
Opening balance	387	394	392
Add advances	20	40	32
Less repayments	(15)	(15)	(15)
Closing balance	392	419	409

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Chief Executive

SUBJECT: Corporate Governance Self-evaluation and Annual
Governance Statement 2019

7

1 PURPOSE

- 1.1 To advise members of the revised Framework on Delivering Good Governance, the results of the Corporate Governance Self-evaluation 2019 and the proposed Annual Governance Statement to be included in the 2018/19 Annual Accounts.

2 RECOMMENDATIONS

The Committee is asked to:

- 2.1 Note the adoption of the Delivering Good Governance in Local Government Framework as the Council's Corporate Governance Framework (as set out in para 3.2 and Appendix 1).
- 2.2 Note the results of the self-evaluation carried out using the Framework (Appendix 1) and consider whether any additional improvement actions should be added.
- 2.3 Note the progress made with the actions included in the Council Improvement Plan 2018-2020 (Appendix 2).
- 2.4 Agree the Annual Governance Statement to be included in the 2018/19 Annual Accounts as set out in paragraph 3.11.

3 BACKGROUND

- 3.1 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010. CIPFA / SOLACE published a new 'delivering good governance' framework in 2016. This is based on Section 3.7 of the CIPFA/ LASAAC Code of Practice on Local Authority

Accounting in the United Kingdom which governs the preparation and publication of an Annual Governance Statement. The framework defines the principles that should underpin the governance of each local government organisation. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the framework.

3.2 The Framework has seven core principles:

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Principle B: Ensuring openness and comprehensive stakeholder engagement

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Principle D: Determining the interventions necessary to optimize the achievement of the intended outcomes

Principle E: Developing the council's capacity, including the capability of its leadership and the individuals within it

Principle F: Managing risks and performance through robust internal control and strong public financial management

Principle G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

3.3 These seven core principles are supported by 21 sub-principles each of which has a set of behaviours and actions against which good governance in practice can be assessed.

3.4 The new framework replaces the previous Good Governance framework used by the Council as the basis for its Corporate Governance self-evaluation.

3.5 A self-evaluation exercise based on the new framework has been undertaken by the Council Management Team, testing the council's governance arrangements against the Good Governance Framework. The self-evaluation provides evidence to show how the council complies with each of the sub-principles. A self-evaluation score from 1 – 6, where 1 = Unsatisfactory (major weaknesses), and 6 = Excellent (outstanding, sector leading) has been given against each sub-principle. Improvement actions arising from the self-evaluation are detailed. (Appendix 1)

3.6 The council was the subject of a Best Value Assurance audit undertaken by Audit Scotland in 2018, which focused on:

- Leadership, governance and scrutiny
- Outcomes and performance

- Improvement Plans
- Partnership working.

Since these are all issues which feature prominently in the Good Governance Framework the findings of The Best Value Assurance Report (October 2018) provide a good source of externally validated evidence in the self-evaluation.

- 3.7 The self-evaluation has also drawn on the findings of the Recognised for Excellence accreditation that was carried out by Quality Scotland in early 2018. The council was awarded a 4-Star Recognised for Excellence award which provided a high level of assurance against some of the core and sub-principles of the Good Governance Framework. Assurance is also provided by the external auditors' review of internal controls in financial systems 2018/19 which did not identify any significant control weaknesses.
- 3.8 The council adopted an improvement plan based on the findings and recommendations of the Best Value Assurance Report and the Recognised for Excellence accreditation. An update on progress with the Council Improvement Plan 2018-2020 (Appendix 2) shows that significant progress has been made against all improvement actions.
- 3.9 The Corporate Governance self-evaluation has found that the council complies well with the principles of the framework and each sub-principle has been scored as either 4 (Good – important strengths with areas for improvement) or 5 (Very Good – major strengths). However, the council is committed to Continuous Improvement and as a learning organisation has used the Corporate Governance self-evaluation to identify further improvement actions that will contribute to the council's journey from Improvement to Excellence. These improvement actions are detailed in Appendix 1 (sub principles A1, B2, B3, D3, E2 and F2) and in the draft Annual Governance Statement below.
- 3.10 The Council has a duty under the Scottish Regulator's Strategic Code of Practice to publish an annual statement on compliance with the Code (arising section 5 of the Regulatory Reform (Scotland) Act 2014). The Council fulfils this requirement by incorporating a statement of compliance within the Corporate Governance Self-evaluation.
- 3.11 Taking into account the findings of the Corporate Governance Self-evaluation, supported by the findings of the Best Value Assurance Report and the Recognised for Excellence assessment, the following is proposed as the Annual Governance Statement for inclusion in the Council's 2018/19 Annual Accounts.

“The 2019 corporate governance self-evaluation has found that East Lothian Council continues to have good governance and control arrangements in place across the seven corporate good practice principles.

It should be noted that the Council was awarded a Four-Star Recognised for Excellence award by Quality Scotland in March 2018. Also, in October the council received a positive Best Value Assurance Report from Audit Scotland. These external assessments identified several areas for further development and improvement which were incorporated into the Council Improvement Plan 2018-2020 and all these improvement actions are being delivered.

The Council's governance self-evaluation has identified seven areas for further development and improvement, which build on existing good practice and improvement actions already being implemented, in order to ensure the Council's progress from continuous improvement through to excellence. These improvement actions are:

- In order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up-to-date a register of such documentation will be prepared and reviewed annually*
- Establish formal mechanism for evaluating partnership working and the effectiveness of partnerships based on an agreed partnership self-evaluation framework*
- The council will explore the development of a Community Charter in partnership with civic society and the communities and citizens of East Lothian*
- The Council will need to ensure it meets any additional requirements to further develop community participation in decision-making arising from the Local Governance Review*
- Continue to review reporting and monitoring of expenditure against budgets and recovery plans in order to deliver outcomes within agreed budgets*
- The roll out and adoption of the Staff Charter will be monitored and the Charter will be reviewed*
- The Council should review how the Improvement to Excellence framework and new Council Plan performance reporting is operating in Autumn 2020.*

4 POLICY IMPLICATIONS

- 4.1 The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council's *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council's commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council's Annual Accounts.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and an Integrated Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none.
6.2 Personnel – none.
6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Appendix 1: Corporate Governance Self-Evaluation 2019
7.2 Appendix 2: Council Improvement Plan 2018-2020 – Update (May 2019)
7.3 Delivering Good Governance in Local Government Framework; CIPFA/ SOCLACE, 2016
7.4 East Lothian Council Best Value Assurance Report; Audit Scotland, October 2018

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Service Manager Corporate Policy & Improvement
CONTACT INFO	pvestri@eastlothian.gov.uk Ext. 7320
DATE	5 th June 2019

APPENDIX 1: Corporate Governance Self-Evaluation 2019

Scoring:

- 1 Unsatisfactory – major weaknesses
- 2 Weak – important weaknesses
- 3 Adequate – strengths just outweigh weaknesses
- 4 Good – important strengths with areas for improvement
- 5 Very Good – major strengths
- 6 Excellent – outstanding, sector leading

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

A.1 Behaving with integrity		
A.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation		
A.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)		
A.1.3 Leading by example and using the above standard operating principles and values as a framework for decision making and other actions		
A.1.4 Demonstrating, communicating and embedding standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • Council Standing Orders and Schemes of Administration and Delegation • Councillors' Code of Conduct (and members training on the Code) • Officers' Code of Conduct • Council Values and revised East Lothian Way Behaviours • Policies and procedures in place for key activities such as Procurement, Treasury Management, Complaints, Health and Safety and HR • External audit • Internal Audit • Best Value Assurance Report 2018 concluded: <i>"East Lothian Council has significantly improved since our last Best Value Report in 2007. The council has improved its governance arrangements, leadership and scrutiny, and demonstrates a focus on continuous improvement."</i> <i>"The council has a clear vision which is based on a good understanding of local communities and partners and is understood by employees."</i> <i>"Council business and decisions are clearly documented in the Council, Cabinet and committee minutes."</i> • Standing Orders, policies and procedures reviewed regularly or when required. • The council responds positively to any recommendations arising from external and internal audits. • Council has an improvement Plan in place to respond to the recommendations arising from the Best Value Assessment and R4E assessment 	<p>Between 4. Good and 5. Very Good</p>	<p>In order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up-to-date a register of such documentation will be prepared and reviewed annually</p>
<p>A.2 Demonstrating strong commitment to ethical values</p>		
<p>A.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance</p>		
<p>A.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture</p>		
<p>A.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p>		
<p>A.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</p>		
<p style="text-align: center;">Evidence</p>	<p style="text-align: center;">Evaluation</p>	<p style="text-align: center;">Improvement Action</p>
<p>As above</p> <ul style="list-style-type: none"> • Whistleblowing Policy • Customer Feedback policy and procedure • Contract conditions and monitoring 	<p>Between 4. Good and 5. Very Good</p>	<p>See A.1 above</p>

A.3 Respecting the rule of law		
A.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations		
A.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirement		
A.3.3 Striving to optimise the use of the full power available for the benefit of citizens, communities and other stakeholder		
A.3.4 Dealing with breaches of legal and regulatory provisions effectively		
A.3.5 Ensuring corruption and misuse of power are dealt with effectively		
Evidence	Evaluation	Improvement Action
<p>As A.1 and A.2 above</p> <ul style="list-style-type: none"> • Statutory Officers job outlines included in Scheme of Administration • Statutory Officers are members of CMT and attend relevant Council, Cabinet and Committee meetings • Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power • Elected members have received training from the Standards Commission on the Code of Conduct and further training is planned for later in 2019 	5. Very Good	See A.1 above

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

B.1 Openness		
B.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness		
B.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided		
B.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear		
B.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • Compliance with the Freedom of Information Act and Data Protection Act • Council, Cabinet and Committee meetings held in public • Agendas for meetings, minutes and reports published on the Council website. By exception, some items are held in private and the reasons for this are documented • Living newspaper, press releases and social media used to inform the public of council policies and decisions • Community Asset Transfer and Participation Request processes in place with open and transparent decision making which can be challenged • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • The Best Value Assurance Report found: <i>“Council business and decisions are clearly documented in Council, Cabinet and committee minutes.”</i> <i>“Decision-making processes are more clear and open” [than was found in 2007]</i> <i>“The council has well-established methods for consulting with the public”</i> <i>“The council engages effectively with communities”</i> 	5. Very Good	No improvement actions required
B.2 Engaging comprehensively with institutional stakeholders (including other public and third sector organisations and commercial partners)		
B.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder are clear so that outcomes are achieved successfully and sustainably		
B.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively		
B.2.3 Ensuring that partnerships are based on: <ul style="list-style-type: none"> - Trust - A shared commitment to change - A culture that promotes and accepts challenge among partners And that the added value of partnership work is explicit		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; as do the Children and Young People Plan, Community Justice Outcome Improvement Plan and various other joint strategies • The City Region Deal is a clear example of how effectively the council works in partnership with institutional stakeholders requiring trust, a shared commitment to change and a culture that promotes and accepts challenge among partners • The council is an active partner in the education regional collaborative • The Best Value Assurance Report found: <i>“The council has strong links with its partners and works well with local communities.”</i> <i>“East Lothian Partnership is working to a shared vision and there are good relations between partners.”</i> <i>“The health and social care partnership is well established and there is evidence of good cooperation between the council and NHS Board.”</i> • The Integration Joint Board has undertaken a self-evaluation exercise 	4. Good	Establish formal mechanism for evaluating partnership working and the effectiveness of partnerships based on an agreed partnership self-evaluation framework
B.3 Engaging with individual citizens and service users effectively		
B.3.1 Ensuring a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other provision) is contributing towards the achievement of intended outcome		
B.3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement		
B.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs		
B.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account		
B.3.5 Balancing feedback with more active stakeholder groups with other stakeholder groups to ensure inclusivity		
B.3.6 Taking account of the impact of decisions on future generations of tax payers and service users		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Communications Strategy • Community Planning Community Engagement Strategy • People’s Voice, the Community Planning Engagement Strategy includes monitoring framework • Citizens’ Panel • Consultation and Engagement Strategy • Complaints procedures and monitoring reports • The Council Improvement Plan 2018-2020 included an action to review the Consultation and Engagement Strategy. A revised strategy has been developed and the Community Participation Opportunities Guide 2018 providing information on the ways in which council consults and engages with citizens, communities and service users has been published on the council website • The Best Value Assurance Report found: <i>“The council has well-established methods for consulting with the public”</i> <i>“The council engages effectively with communities”</i> • The Council received a Recognised for Excellence Good Practice Award: <i>“This organisation clearly has a culture of working in partnership that is deployed right across the organisation. Reviews take place to assess the approaches taken both by the organisation and their strategic partners and staff are encouraged through workshops to look at how they can better work with others both inside and outside the organisation.</i> <i>“Following on from the Community Empowerment act of 2015 and to meet its strategic goal of 'Growing Communities', this organisation has set up six Area Partnerships which involve significant parties in the locality to oversee the development and delivery of area plans which contribute to the delivery of the organisational plan. As part of a review undertaken these partnerships were deemed to be meeting their aims and objectives, are society driven and focus on the benefits to the community and towns that this organisation works in.”</i> • The council is exploring how it can commit to the UN Convention of the Child • The council is planning to establish a Community Charter as part of the new approach based on the council moving away from doing things, for or to, communities and individuals, to the council and its communities and citizens working together to identify and then meet their needs in partnership and co-operation 	<p>5. Very Good</p>	<p>The Council will need to ensure it meets any additional requirements to further develop community participation in decision-making arising from the Local Governance Review</p> <p>The council will explore the development of a Community Charter in partnership with civic society and the communities and citizens of East Lothian</p>
--	---------------------	--

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits

C.1 Defining outcomes		
C.1.1 Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions		
C.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer		
C.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available		
C.1.4 Identifying and managing risks to achievement or outcomes		
C.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of resources available		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • Council has a clear vision • Council Plan 2012-2017 and East Lothian Plan 2017-27 set out clear objectives, strategic goals and outcomes • These form the basis of overall strategy, other strategic plans and Service Plans • The council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes • The Best Value Assurance Report concluded: <i>“The Council has a clear vision (of inclusive economic growth) which is based on a good understanding of local communities and partners and is understood by employees.”</i> <i>“The council has an ambitious vision of inclusive economic growth that is linked to council objectives and strategic goals, and is understood throughout the organisation.”</i> • The council’s financial strategy and revenue and capital budgets are based on delivering the Council Plan’s outcomes on a sustainable basis within the resources that will be available • Corporate and service Risk Registers identify the risks and mitigating actions 	5. Very Good	No improvement actions required
C.2 Sustainable economic, social and environmental benefits		
C.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision		
C.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints		

C.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs		
C.2.4 Ensuring fair access to services		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> The Council Plan and East Lothian Plan are set within the context of the social, economic and environmental challenges faced by East Lothian and the council Integrated Impact Assessment covers protected characteristics, Human Rights, sustainability, corporate parenting and the Fairer Scotland Duty Poverty Commission report led to the adoption of a 50 point Poverty Action Plan Reducing inequalities is the overarching objective of the Council and East Lothian Plans Five-year financial strategy, three-year revenue budget and five-year capital budget are based on a longer-term view and balance wider public interest with conflicting interests Best Value Assurance Report stated: <i>“Financial management is effective with a budget setting process focused on the council’s priorities.”</i> The council has undertaken budget consultation exercises to gauge public opinion on the ‘hard choices’ and ‘trade-offs’ it needs to make to balance budgets when resources are constrained and demand for service is rising Corporate and Service Risk Registers 	Between 4. Good and 5. Very Good	No improvement action required

PRINCIPLE D: Determining the interventions necessary to optimize the achievement of the intended outcomes

D.1 Determining interventions		
D.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided		
D.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts		
Evidence	Evaluation	Improvement Action

<p>See B.1 above</p> <ul style="list-style-type: none"> • Capital projects, new income charge proposals and transformation change projects are accompanied by business cases which include options appraisal, outcome or benefits projection and risk assessment • Customer feedback, users surveys, Citizens Panel and Residents Survey are all used to inform decisions about services • Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising 	4. Good	No improvement action required
D.2 Planning interventions		
D.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets		
D.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered		
D.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks		
D.2.4 Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances		
D.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is measured		
D.2.6 Ensuring capacity exists to generate the information required to review service quality regularly		
D.2.7 Preparing budgets in accordance with objectives, strategies and the medium term financial plan		
D.2.8 Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy		
Evidence	Evaluation	Improvement Action

<p>See C1 and C2 above</p> <ul style="list-style-type: none"> The Best Value Assurance Report concluded: <i>“Financial management is effective with a budget-setting process focused on the council’s priorities. The council has a good track record of delivering services within its overall budget. A five-year financial strategy was approved in December 2017. [and subsequently in December 2018]. The council has developed proposals to address its projected funding gap of £12.5m for the next three years and has presented a three-year balanced budget.”</i> In addition, the external auditors’ reports provide assurance that the council has a sustainable financial strategy As well as the Top 50 Council Plan indicators the council has an extensive and comprehensive set of key performance indicators covering all services 	<p>Between 4. Good and 5. Very Good</p>	
<p>D.3 Optimising achievement of intended outcomes</p>		
<p>D.3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints</p>		
<p>D.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term</p>		
<p>D.3.3 Ensuring the medium term financial strategy sets the context for ingoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage</p>		
<p>D.3.4 Ensuring the achievement of ‘social value’ through service planning and commissioning</p>		
<p style="text-align: center;">Evidence</p>	<p style="text-align: center;">Evaluation</p>	<p style="text-align: center;">Improvement Action</p>
<p>See D2 above</p> <ul style="list-style-type: none"> Quarterly financial reports are presented to Council highlighting variations between expenditure and budge and associated risks Recovery plans are put in place to address areas of significant overspend and these are monitored by chief officers 	<p>4. Good</p>	<p>Continue to review reporting and monitoring of expenditure against budgets and recovery plans in order to deliver outcomes within agreed budgets</p>

PRINCIPLE E: Developing the council’s capacity, including the capability of its leadership and the individuals within it

E.1 Developing the council’s capacity		
E.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness		
E.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently		
E.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved		
E.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • Performance indicators are reviewed quarterly or annually • The council uses the Local Government Benchmarking Framework and takes part in relevant benchmarking exercises run by the Improvement Service, APSE and other networks • All services undertake a How Good is our Service self-evaluation exercise and annual reviews of three-year Service Plans • Workforce Plan adopted in 2018 • Partnership and collaborative working are integral elements of any options appraisal carried out by the council. Examples of partnership and collaborative working to achieve best value include the proposal to co-locate police in a new collaborative hub in John Muir House; partnering with HubCo South East in various capital projects; the development of the Food and Drink hub in partnership with Queen Margaret University 	5. Very Good	No improvement actions required
E.2 Developing the capability of the council’s leadership and other individuals		
E.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding on roles and objective is maintained		
E.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body		
E.2.3 Ensuring the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority		

E.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successively to changing legal and policy demands as well as economic, political and environmental changes and risks by: - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external
E.2.5 Ensuring that there are structures in place to encourage public participation
E.2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections
E.2.7 Holding staff to account through regular performance reviews which take account of training or development needs
E.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • Council Standing Orders, Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers • The Scheme of Delegation clearly specifies remit of Council, Cabinet and Committees and specifies what is delegated to officers • The Management and Leadership Development programmes for Managers and the CMT is reviewing its development needs following a development session facilitated by Re:Markable (formerly Investor in People) • All staff including managers have an annual Performance Review and Development session which takes account of training or development needs • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Healthy Working Lives activities and renewed emphasis on initiatives aimed at improving the mental wellbeing and resilience of staff • The council has developed a Staff Charter setting out its commitments to all staff and the behaviours that staff are expected to follow 	Between 4. Good and 5. Very Good	The roll out and adoption of the Staff Charter will be monitored and the Charter will be reviewed

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

F.1 Managing risk		
F.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making		
F.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively		
F.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • Risk Strategy • Corporate and Service Risk Registers – reviewed and revised regularly • Responsibilities for risks are set out in the registers 	5. Very Good	No improvement actions required
F.2 Managing performance		
F.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review		
F.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risk inherent in the organisation’s financial, social and environmental position and outlook		
<p>F.2.3 Ensuring an effective scrutiny and oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making</p>		
F.2.4 Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement		
F.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • How Good is our Service provides the framework for self-evaluation carried out by each service • Service Plans take account of improvement actions arising from the self-evaluation • Performance against service Key Performance Indicators are taken into account in the self-evaluation • The council's three scrutiny committees – Police Performance and Review; Audit & Governance; and Police, Fire and Community Safety – operate effectively and provide challenge to senior officers and the Administration • The Guide to Scrutiny encourages constructive challenge and debate • A revised Improvement to Excellence framework has been developed t take account of recommendations from the Best Value Assurance Report and Recognised for Excellence assessment • Quarterly and Annual Performance Reporting • The Top 50 Council Plan Indicators will be reported on for the first time in June 2019 • Quarterly financial statements detail the variances against the budget • The Best Value Assurance Report concluded: <i>“The council has a well-established improvement framework and extensively reviewed a range of its services. Streamlining performance reporting would provide a better basis for prioritising improvement activity and demonstrating achievement of outcomes.”</i> <i>“Performance management if thorough and elected members and officers kame good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.”</i> <i>“The PPR Co scrutinises performance effectively.”</i> 	<p>4. Good</p>	<p>The Council will review how the Improvement to Excellence framework and new Council Plan performance reporting is operating in Autumn 2020</p>
<p>F.3 Robust internal control</p>		
<p>F.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives</p>		
<p>F.3.2 Evaluating and monitoring risk management and internal control on a regular basis</p>		
<p>F.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place</p>		
<p>F.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>		

<p>F.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> - provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment - that its recommendations are listened to and acted upon 		
Evidence	Evaluation	Improvement Action
<p>See F.1</p> <ul style="list-style-type: none"> • Counter fraud and anti-corruption arrangements are in place and audited by external and internal Auditors • External and Internal auditors provide assurance on the adequacy and effectiveness of all control measures • The Audit & Governance committee is independent of the Executive. It is chaired by a member of the Opposition, has a majority of opposition members and no Cabinet members 	4. Good	See A.1 above
F.4 Managing data		
F.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data		
F.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies		
F.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • GDPR policy and processes • Records Management Policy • Data sharing protocols are in place • Performance Data is audited by Internal Audit 	4. Good	No improvement actions required
F.5 Strong public financial management		
F.5.1 Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance		
F.5.2 Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> Financial Management Strategy No significant recommendations arising from external audit The Best Value Assurance Report concluded: <i>“The council has well-established processes for setting and monitoring budgets.”</i> 	5. Very Good	No improvement actions required
---	--------------	---------------------------------

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

G.1 Implementing good practice in transparency		
G.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate		
G.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand		
Evidence	Evaluation	Improvement Action
<p>See B.1 above</p> <ul style="list-style-type: none"> The Best Value Assurance Report concluded: <i>“In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive.”</i> <i>“Council business and decision are clearly documented.”</i> <i>The standard of scrutiny by members of the two main scrutiny committees is good.”</i> <i>“The council’s decision-making processes are clear and open.”</i> <i>“Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.”</i> 	4. Good	See F.2 above
G.2 Implementing good practice in reporting		
G.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way		
G.2.2 Ensuring members and senior management own the results reported		

G.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)		
G.2.4 Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate		
G.2.5 Ensuring the performance information that accompanies the financial statement is prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations		
Evidence	Evaluation	Improvement Action
<ul style="list-style-type: none"> • The council produces quarterly performance reports and an Annual Public Performance Report which are reported to PPR Committee • The Council Management Team (CMT) reviews performance reports • The CMT reviews the Corporate Governance Framework and self-evaluation before it is reported to Audit & Governance Committee • The council participates fully in the Local Government Benchmarking Framework and the annual LGBF report which includes a wide range of performance benchmarking data is considered by CMT and then members 	5. Very Good	See F.2 above
G.3 Assurance and effective accountability		
G.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon		
G.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon		
G.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations		
G.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement		
G.3.5 Ensuring that when working in partnership arrangements for accountability are clear and the need for wider public accountability has been recognised and met		
Evidence	Evaluation	Improvement Action

<ul style="list-style-type: none"> • Actions identified by external audit are reported to members via the Audit & Governance Committee and are acted on • All internal audit reports are reported to members via the Audit & Governance Committee and all recommendations are acted on • The Best Value Assurance Report stated: <i>“The council considers a wide range of scrutiny and inspection reports at Council, Committee and senior management level. This includes Audit Scotland and inspectorate reports. The council is pro-active in this area ensuring national reports are presented to relevant committees. Elected members use these reports to discuss and challenge officers about the implications of the report findings for the council, what actions are required and how services are performing.</i> • The council has actively sought external peer review and challenge by applying for Investors in People and Investors in Young People and then Recognised for Excellence accreditation. 	5. Very Good	No improvement actions required
--	--------------	---------------------------------

APPENDIX 2: Council Improvement Plan 2018-2020 – Update (May 2019)

Council Improvement Plan (Dec 2018 – March 2020) – Update: May 2019

	ACTION	LEAD OFFICER(S)	DEADLINE	Update May 2019
1	<p>Implement the Council Workforce Plan. The implementation plan has 28 actions within 7 workstreams:</p> <ul style="list-style-type: none"> a) Workforce planning, including service workforce plans where relevant b) Employer of choice, including consideration of adopting a 'Staff Deal' c) PRD, performance and development d) Leadership and management development e) Wellbeing f) Recruitment, selection and retention g) Rewards and recognition 	Service Manager Corporate Policy & Improvement	The Plan is a four year plan and each action in the Plan has been allocated a deadline within for completion within the timespan of the Plan	Progress has been made in all 7 workstreams and all actions are on target for completion in line with the plan's timetable
2	Review all performance indicators and adopt a small set of key indicators that measure progress in achieving the Council Plan outcomes and strategic goals and work with the East Lothian Partnership to agree outcome measures and report on progress in reducing inequalities and growing the economy	Service Manager Corporate Policy & Improvement	March 2019	<p>A Strategic Performance Framework with Top 10 and Top 50 Council Plan indicators has been agreed by Cabinet (12th March 2019)</p> <p>The East Lothian Partnership Governance Group has adopted a set of 34 Key Performance Indicators for the East Lothian Plan</p>
3	Review the format of the Council's Annual Report/ Annual Public Performance Report and how performance is reported to elected members	Service Manager Corporate Policy & Improvement	March 2019	Revised formats for the Council Annual Report and Annual Public Performance Report, including the Top 50 Council Plan indicators will be used for the 2018/19 reports

4	Revise and then implement the Council's Continuous Improvement Framework to take on board improvements identified through the Recognised for Excellence Assessment	Service Manager Corporate Policy & Improvement	March 2019 through to March 2020	A revised continuous improvement framework (<i>i2e</i>) was approved by Cabinet (12 th March 2019)
5	Revise and then implement the Council's Consultation and Engagement Strategy ensuring community and third sector organisations have opportunities to inform council policies, strategic plans and service improvement	Service Manager Corporate Policy & Improvement	March 2019 through to March 2020	A revised Consultation and Engagement Strategy has been drafted A Guide to Community Participation Opportunities 2018 is available on the Council website
6	Continue to embed transformational change across the Council and ensure it delivers expected improvement and benefits within planned timeframes, prioritising projects that are most likely to lead to major change and significant benefits	Chief Executive	March 2020	Transformation principles are being embedded across all services Training in change management and innovation is being rolled out for managers Key Transformation projects (including on-line HR/Payroll system and on-line Customer Portal) are being completed and capacity has been created to support the delivery of major change with significant benefits
7	Continue to focus on improving education performance for all children and young people in East Lothian	Head of Education	March 2020	The Education service and all schools continue to focus on improving attainment and on School Improvement Plans

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: General Manager, Musselburgh Racecourse

SUBJECT: Musselburgh Racing Associated Committee 2018-19
Performance

8

1 PURPOSE

- 1.1 To report to the Audit & Governance Committee on the 2018-19 performance of Musselburgh Racecourse.

2 RECOMMENDATIONS

- 2.1 The Audit & Governance Committee is asked to note contents of the report.

3 BACKGROUND

- 3.1 Summary of performance:

- 28 fixtures were scheduled in 2018-19.
- 27 fixtures were staged in 2018-19 compared to 28 fixtures staged in the previous year.
- Extra Fixtures – four.
- Abandonments – five.
- Raceday Income was £4,427,163, up £51,094 on the budget (and down £85,231 on the previous year)
- Raceday Expenditure was £2,490,195 up £59,992 on the budget (and up £64,943 on the previous year)

- Expenditure on Prizemoney was £1,720,757, down £133,343 on the budget (and down £255,092 on the previous year).
- Cost of Prizemoney to the MRAC was £994,935, down £44,298 on the budget (and down £147,870 on the previous year).
- Profit from Racedays (after PM) was £942,033k, up £35,400 on the budget (and down £2,304 on the previous year).
- Fixed Income was £932,712, up £8,180 on the budget (and down £37,597 on the previous year)
- Fixed Expenditure was £1,827,798, up £122,437 on the budget (and up £144,268 on the previous year)
- Profit was £46,947, down by £78,857 on budget (and down £184,169 on the previous year)
- Net Expenditure (after grants) on Essential Maintenance and Capex Development Programmes was £31,558, down £18,442 on budget (and down £13,869 on the previous year)
- The Surplus before non-recurring, unbudgeted exceptional costs was £15,389, down £60,415 on the budget (and down £170,300 on the previous year)
- The retained profit (reserves) at the beginning of the year was £187,317
- The retained profit (reserves) at the end of the year before non-recurring, unbudgeted exceptional costs was £202,706
- The non-recurring, unbudgeted exceptional costs were £352,306.
- The net increase/decrease in retained profit (reserves) for the year was a decrease of £336,917, compared to the budget increase of £75,804 and an increase the previous year of £129,920
- The retained profit (reserves) at the end of the year was a deficit of £149,600

Commentary

- 3.2 2018-19 was an extremely difficult year. It started with the Beast from the East over Easter weekend, which decimated the attendance and then the first ever abandoned flat fixture due to waterlogging occurred in April.
- 3.3 Exceptionally dry weather conditions followed throughout the year, which decimated field sizes and hit the racecourse's media rights income.

- 3.4 The racecourse abandoned an unprecedented five race meetings during the year including the prestigious 2-day Scottish Cheltenham Trials Weekend (due to frost) and the re-scheduled Scottish Cheltenham Trials Raceday (due to the outbreak of equine flu).
- 3.5 The racecourse succeeded in staging four extra race meetings, which generated an additional £117k in profit.
- 3.6 In addition, during 2018-19 the racecourse operated as an Associated Committee of the Council known as the Musselburgh Racing Associated Committee (MRAC) as an interim measure, which in itself encountered its own challenges with a knock on effect on the racecourse. This is pending the appointment of a 3rd party operator, which created uncertainty and a difficult trading environment.
- 3.7 Non-recurring, unbudgeted expenditure totalled £352k. More than £300k of this expenditure was legal advice obtained by ELC Officials from Pinsent Masons during the tender process to appoint a 3rd part operator. They also include legal and HR advice from Pinsents and Harper MacLeod. These costs were all subsequently allocated to the Racecourse, which put additional pressure on the operation of the Racecourse.
- 3.8 Despite the multitude of challenges the racecourse performed remarkably well, which is a huge credit to all of the staff. The MRAC are lucky to have such a loyal team of people who are so dedicated to the success of Musselburgh Racecourse.

4 POLICY IMPLICATIONS

- 4.1 None.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 This report is not applicable to the wellbeing of equalities groups and an Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – See above
- 6.2 Personnel - None
- 6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Bill Farnsworth
DESIGNATION	General Manager, Musselburgh Racecourse
CONTACT INFO	bfarnsworth@eastlothian.gov.uk
DATE	11 June 2019

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Chief Executive

SUBJECT: Corporate Risk Register

9

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Corporate Risk Register (Appendix 1) for discussion, comment and noting.

The Corporate Risk Register has been developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Corporate Risk Working Group (RWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Corporate Risk Register and in doing so, is asked to note that:
- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the Corporate risk can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Corporate and are likely to be a feature of the risk register over a number of years.
 - note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Corporate RWG on behalf of and in consultation with Council Management Team. All risks have been

evaluated using the standard (5x5) risk matrix (Appendix 2) which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The Corporate Risk Register includes 9 High risks, 9 Medium and 1 Low Risk.

3.4 There is the potential to move the Risk Register from Word to software. To show the Committee the benefits of this, Appendices 3-5 are attached.

4 POLICY IMPLICATIONS

4.1 In noting this report the Council will be ensuring that risk management principles, as detailed in the Corporate Risk Management Strategy, are embedded across the Council.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the Corporate Risk Management Group that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel - There are no immediate implications.

6.3 Other - Effective implementation of this register will require the support and commitment of the Risk Owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Corporate Risk Register
- 7.2 Appendix 2 – Risk Matrix
- 7.3 Appendix 3 – Risk Heatmap from new software
- 7.4 Appendix 4 – Risk Register from new software
- 7.5 Appendix 5 – Risk Matrix Report from new software

AUTHOR'S NAME	Scott Kennedy
DESIGNATION	Emergency Planning, Risk and Resilience Officer
CONTACT INFO	skennedy@eastlothian.gov.uk 01620 827900
DATE	11 June 2019

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 1	<p>Brexit</p> <p>The uncertainty around Brexit (and the resulting 'deal' or 'no deal') will have an impact on the local economy, local funding and the delivery and funding of council services. With a fast-changing political environment, the wider ramifications of the decision to leave the European Union are yet to be fully identified. Whilst there may be some opportunities, there is also considerable uncertainty that affects areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.</p> <p>We may see a gradual slow down during period of uncertainty. A potential council impact (+/-) on:</p> <ul style="list-style-type: none"> Inward investment and positive awareness of the UK; EU funding for council-led business and training projects is known with the timescale permitted for delivery, however the university, farm businesses and other players will be accessing funding from EU sources which will be stopped at some point. Increased input and export costs for local businesses; Council and local business workforce pressures Procurement Inflationary pressures. Which could reduce and could in turn impact on the council, the university, housing market, capital costs resulting from increased cost of labour which could slow business rates growth (Inflation risk based on latest OBR predictions), workforce pressures e.g. regulatory services, social care providers, procurement costs, inflationary pressures caused by fluctuations in sterling value and potentially a loss of EU grants funding. <p>Key potential causes are:</p> <ul style="list-style-type: none"> Gradual slow down during period of uncertainty. Workforce pressures e.g. regulatory (food imports/export), social care providers. Inflationary pressures caused by fluctuations in sterling value. Loss of EU grant funding <p>EU National Staff do not apply for Settled or Pre-settled status and have no right to remain in the UK. This may result in staffing issues in a number of roles e.g. teachers, social care workers, social workers. Overall national and local economic impact in relation to:</p> <ul style="list-style-type: none"> RPI, cost of goods, services, supplies Overall employment Cost of borrowing Availability of goods on import and cost if available General value of our currency 	<p>The wider ramifications of the decision to leave the European Union are yet to be fully realised and felt in national and local economy. Whilst there will be some opportunities there is also uncertainty that may affect areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, Investment and other non-financial aspects.</p> <p>The CMT has appointed a strategic and tactical level Lead Officer for "no-deal readiness".</p> <p>"No-deal and EU-exit" has been acknowledged as a Corporate Risk.</p> <p>"No-deal and EU-exit" contingency planning is a standing item on the CMT agendas.</p> <p>CMT has established an appropriately represented corporate level "no-deal exit and EU-exit preparedness group" (Brexit Working Group) chaired by the appointed Strategic Lead Officer.</p> <p>The "no-deal exit and EU-exit preparedness group" is appropriately engaged with internal subject matter experts on sectoral vulnerabilities and have a mechanism in place to rapidly assess and escalate these risks where appropriate.</p> <p>CMT has considered a detailed Brexit Preparedness Report: Position Statement, presented on 7th March 2019. The Position Statement was reviewed on a fortnightly basis to 24th April, at which point the Brexit Working Group agreed to reconvene as directed and determined by local and national requirements leading to 31st October EU-Exit.</p> <p>The Lead Officer has contributed to Resilience Partnership Planning for Reasonable Worst-Case outcomes and the layering of multiple scenarios and outcomes.</p> <p>The Council has contributed to a national call for information through COSLA seeking input on likely impact of Brexit in different regions and participate in frequent teleconferences.</p> <p>Home Office facilitated an event providing information and guidance to employers in Haddington in February 2019.</p> <p>Specific HR Actions for EU National Employees:</p> <ul style="list-style-type: none"> Project plan created to capture major milestones and actions from November 2018 to June 2021 Identified EU nationals through use of equalities information and manual checks of employee records to obtain right to work information and issued letter to impacted employees Presented paper to CMT : EU Settlement Scheme overview and recommended actions Joint Trade Union engaged, advised of actions and provided all communication materials 	4	4	16	4	4	16	Council Management Team	All actions ongoing and dependant on decisions taken by UK Government	New risk created and evolved through 2018/19 by CMT and Brexit Working Group.	

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		<ul style="list-style-type: none"> • Create and issued LM pack, providing overview and copy of letter for information with Home Office posters for display • Provided overview of EU Settlement scheme and project plan to JCC • Included relevant information in Inform articles • 1:1 meetings with Health & Social care staff to advise that there is a pilot available and NHS staff are being encouraged to join. However, ELC not promoting to its staff as awaiting details from Scottish Government re 'refund of fees per joint letter with Welsh Government to UK Government' <p>A Lothian & Borders Local Resilience Forum was in place, including the ELC EP, Risk & Resilience Manager, engaging and liaising with partner agencies through the East Regional Resilience Partnership (RRP) and Lothian & Borders Local Resilience Partnership (LRP). This ensures partnership working processes are in place and understood, should such processes be invoked.</p> <p>Environmental Health and Trading Standards have engaged with the business community to ensure preparedness for EU-Exit in terms of imports and exports.</p> <p>Economic Development has signposted all businesses to the Scottish Enterprise website (prepareforbrexit.scot) and continues to liaise with businesses as to their concerns and issues. Ongoing intelligence gathering through other local authorities and national agencies.</p> <p>Through the Brexit Working Group, the Council has engaged in internal and external communications, multi-agency decision-making and response arrangements.</p> <p>Through the Brexit Working Group, the Council has engaged in business continuity collaboration arrangements with local partners and neighbouring Local Authorities: via LRP/RRP.</p> <p>The Council has assessed internal essential services business continuity arrangements.</p> <p>Through the Brexit Working Group, the Council has operated a horizon-scanning and assessment system to identify, assess and respond to emerging risks.</p> <p>EU Settlement Scheme – UK/Scottish Government paying fee for this – will set up local centres to help people who are affected.</p> <p>Planned actions for EU National Employees:</p> <ul style="list-style-type: none"> • Direct Mail to introduce, remind and highlight key messages throughout • Monthly inform article which counts down until the full scheme is live in March 2019 and quarterly Inform articles reminding of the deadline to apply. 										

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 2	<p>Managing the Financial Environment</p> <p>The Council may not be able to manage its obligations within the resources available.</p> <p>Reducing general funding levels, increasing ring fenced and short term funding, and increasing demand for services, means that the Council is having to ensure that it remains financially resilient and services can be delivered sustainably.</p> <p>The Council is managing a multitude of pressures, and if these are not successfully planned for and managed effectively over the medium to longer term there would be a serious risk of unplanned / reactive budget realignments with significant adverse impact on availability and quality of both front-line services and required investment in the Council's infrastructure and asset base. This includes the requirement to successfully plan and deliver recurrently identified savings proposals.</p> <p>Over the medium term it is highly likely that the Council's income will, at best, remain static and may even reduce. At the same time it will have specific cost and demand pressures to deal with. These include:</p> <ol style="list-style-type: none"> (1) Supporting the resource requirements associated with the delivery of the growth agenda resulting from the Local Development Plan; (2) Associated demographic change and social-economic pressures; (3) Growing inflationary pressures and contractual commitments including pay and pensions; (4) Potential financial costs associated with a wide range of new obligations or legislative changes. 	<p>The Council has well developed medium term financial planning arrangements. These include:</p> <ul style="list-style-type: none"> • Five year financial strategy; • Three year General Services revenue budgets; • Five year General Services capital plan budgets; • Five year Housing Revenue Account revenue and capital budgets. <p>The Financial Strategy also contains an enhanced reserves strategy which sets out the current level of reserves and associated commitments, including a requirement to maintain a minimum level of uncommitted reserves to support any unforeseen event.</p> <p>The Council has an enhanced range of cost control and financial management arrangements for managing in year budget performance and delivery of planned efficiencies. This includes monthly management information to CMT and wider Council management, and quarterly financial information to Council. This provides mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.</p> <p>In addition, the Council has in place a Transformation Programme which is monitored on a monthly basis by the Council Executive Team, and mitigating actions taken on projects as required to bring them to successful conclusion</p> <p>The Council has in place a Financial Monitoring Risk Assessment where services are assessed and provided within a risk rating. Any service areas which are classified as High Risk are asked to prepare financial recovery plans, and enhanced financial controls are in place.</p> <p>Continue to closely monitor information arising from both UK and Scottish Financial settlements through intelligence gathered from COSLA, professional bodies such as CIPFA Directors of Finance and also credible professional commentators.</p>	4	4	16	<p>Enhanced in year monitoring and review of expenditure commitments against approved budgets.</p> <p>Continued development of budget proposals to ensure that the Council can continue to deliver its obligations within financial resources.</p> <p>Continued development of longer term scenario based financial planning to inform future decisions and longer term financial strategies and financial plans.</p> <p>Continued scrutiny and challenge of planned efficiency measures to ensure they can be delivered and achieved within agreed timescales.</p> <p>Development of annual Capital Strategy supporting the future capital programme.</p> <p>Explore new options for enhanced commercial opportunities within the organisation to maximise income generation for the Council.</p> <p>Ensure the financial strategy sets a clear financial framework for the Council to operate within and that it is appropriately implemented and monitored.</p> <p>The Chief Executive along with the Depute Chief Executives has established a transformation board to oversee delivery of a transformational programme of strategic change projects to improve services and secure planned efficiencies.</p> <p>Establishment of a Budget Review Group chaired by the Chief Executive which will provide enhanced budget scrutiny on the financial performance of the Council.</p>	3	4	12	<p>Chief Executive</p> <p>Depute Chief Executive – Resources and People Services</p> <p>Depute Chief Executive – Partnerships and Community Services</p> <p>Head of Council Resources</p> <p>Chief Operating Officer Finance</p> <p>Council Management Team</p>	<p>Actions ongoing and under continuous review while monitoring arrangements will continue to be applied.</p>	<p>Risk reviewed by Head of Council Resources and Chief Operating Officer Finance May 2019 with no change to assessment of scores.</p> <p>Risk reviewed by Head of Council Resources and Service Managers - Finance May 2017 with Current Score reduced from 20 to 16.</p> <p>Risk reviewed by Head of Council Resources and Service Manager Business Finance May 2016 with no change to assessment of current scores.</p> <p>Risk reviewed by CMT in May 2014 and current score increased from 15 to 20.</p>
ELC CR 3	<p>Welfare Reform</p> <p>The rollout of Universal Credit, (UC) in East Lothian started in April 2015. Whilst initially involving only a small number of cases the subsequent rollout by JCP/DWP of the Universal Credit Full (Digital) Service in East Lothian on 23rd March 2016 has seen a significant number of households migrate from legacy benefits to UC.</p> <p>The main risks/issues associated with the UC rollout include:</p> <ul style="list-style-type: none"> • A wider range of people in scope for claiming UC & higher volume of cases as a consequence 	<p>The Benefits Service is continuing to make full use of additional Discretionary Housing Payment (DHP) and continues to monitor its SWF & DHP expenditure.</p> <p>Council has actively lobbied in various relevant arenas – UK and Scottish Governments both directly and via COSLA. This has resulted in senior DWP Officers attending PPRC Committee meeting to account for UCFS impact on Council performance.</p> <p>Revenues & Benefits Services engage with colleagues in other LAs/RSLs, CoSLA and DWP UC/Job Centre Plus officers to ensure a managed transition to Universal Credit is achieved.</p> <p>DWP funding has been utilised to appoint a Welfare Development Officer. This post is temporary, subject to continuation of funding</p>	4	4	16	<p>Council services will continue to work with the UC Project Team in respect of timescales for the Managed Migration phase rollout of UCFS.</p> <p>Council services will continue to explore the potential for further increasing automation of UC Change of Circumstances notifications (LCTRs).</p> <p>The Benefit Service reserves the option to implement 'high and most compelling' (priority level) in order to keep SWF & DHP expenditure within budget.</p> <p>East Lothian Advice Services review.</p>	3	4	12	<p>Depute Chief Executive – Resources and People Services</p> <p>Service Managers – Benefits & Financial Assessments and Revenues & Welfare Support</p> <p>Welfare Reform Task Group</p>	<p>September 2019</p> <p>December 2019</p> <p>September 2019</p>	<p>Risks refreshed by Service Managers May 2019 with no change to assessment of current scores.</p> <p>Risk reviewed by Board of Directors August 2018 and Assessment of Current and Residual Scores reduced from 20 and 16 to 16 and 12.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	<ul style="list-style-type: none"> Additional demand for (SWF) Crisis Grants. (Risk of overspend)% increase in UC related current tenant rent arrears An increased risk of reduced take up of Council Tax Reduction and increased arrears Overall reduction in HB caseload brings the size & scope of Benefits Administration into question. DWP Housing Benefit Admin Subsidy distribution methodology changed from 2019/20 onwards. In spite of 'transitional protection' being applied by the DWP this will still result in 'significant' ongoing reductions in ELC's HB Admin' subsidy grant every year until the end of 2021/22 The return of Temporary Accommodation cases from UC Housing Costs to HB has been broadly welcomed, (in respect of claimant's interests). However, contrary to previous service planning expectations this is now expected to increase the number of residual HB cases to be administered by what may soon be a reduced ELC Benefits Service. Reduced HB processing performance below DWP performance expectations is likely to induce more intensive engagements with the DWP Housing Delivery Performance Team and/or Audit Scotland Performance Audit. Increased demand for Discretionary Housing Payments, (DHP) risk of funding gap. Managed migration dates (for remaining HB to UC claims) still to be announced but this represents further financial risk and gives rise to capacity issues. <p>A reduction in DWP (UC related) funding which has been supporting, the Welfare Development Officer and an additional Personal Budgeting Support post along with and Digital Assistance for UC claimants could jeopardise these elements of service delivery.</p> <p>The secondment of experienced Benefits Officers to newly established, temporary Financial Inclusion posts risks further depletion of HB/SWF decision making/processing capacity.</p> <p>As a consequence of reduced grant funding and decisions already taken as part of the Council's budget setting process, staffing structures will be required to change and additional financial savings will need to be delivered.</p> <p>This presents additional risks and challenges:</p> <ul style="list-style-type: none"> A reduction in the number of management posts may reduce command & control capacity and ability to train and develop staff. These changes will also result in increased work pressures for some staff. Risk that reducing income posts would give rise to false economy whereby collection 	<p>Council Officers continue to engage with the new Scottish Social Security Agency in relation to development of devolved and 'localised' welfare provision/administration.</p> <p>An additional £100k was allocated in the Administration budget 2017/18 to help mitigate the impact of UC on rent arrears.</p> <p>Council officers have provided reports/briefings to the Council's PPRC Committee, (Universal Credit/Rent Collection).</p> <p>DWP Universal Support funding has been used to fund a Financial Inclusion post within the Welfare Rights team to provide a Personal Budgeting Support capability for new/recent UC claimants. This post is temporary, subject to continuation of funding.</p> <p>An additional 1.6 FTE Financial Inclusion positions have been funded within the Welfare Rights team to carry out campaign work to help Council tenants prepare for UC managed migration (existing HB claimants). This work will help safeguard the Council's rental income.</p> <p>The Council's Welfare Rights team helps to secure unclaimed welfare benefit money for people who cannot do this themselves and who are often in desperate need of help (£3.5m in 2018/19). The team also works in partnership with Macmillan Cancer Support to provide welfare advice and support to people and families affected by cancer (this project alone secured income gains of over £1.36m for clients in 2018/19). The Council also provides funding to the East Lothian Advice Consortium (Haddington and Musselburgh CAB and Carers of East Lothian) to provide free, impartial, confidential advice (including advocacy and representation) to all residents of East Lothian. Both the Council's Welfare Rights team and the partners in the Consortium are involved in delivering the Council recommendations within the Poverty Commission Action Plan.</p>				<p>ELC Management & staff will continue to engage with other LAs, JCP/DWP, CoSLA and Scottish Government at a range of levels.</p> <p>Service review to integrate the Revenues & Welfare Support and Benefits & Financial Assessments services on a phased basis</p>				<p>Head of Corporate Resources</p> <p>Head of Communities & Partnerships</p>	<p>March 2020</p> <p>March 2020</p> <p>December 2019</p>	<p>Risk refreshed by Service Managers – Benefits & Financial Assessments and Revenues & Welfare Support July 2018 with no change to assessment of current scores.</p> <p>Risk refreshed by Service Managers – Benefits & Financial Assessments and Revenues & Welfare Support July 2017 with no change to assessment of current scores.</p> <p>Risk refreshed by Service Manager – Benefits, November 2016 with Current Risk Score increased from 16 to 20 due to the introduction of the Universal Credit "Full Service" since March 2016.</p> <p>Risk refreshed by Service Managers – Revenues & Benefits March 2016 with both current and planned scored increased to 16 due to current uncertainty.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	<p>rates (Council Tax/Housing Rent/Business Rates/Sundry Accounts) would reduce by more than the cost of funding deleted posts.</p> <ul style="list-style-type: none"> Risk that reducing welfare/benefit support posts would significantly weaken the Council's ability to improve the life chances of the most vulnerable in our society and reduce poverty and inequality. 											
ELC CR 4	<p>Information Security and Data Protection</p> <p>Information Security Failure to have comprehensive council wide Information Security Management (ISM) measures in place will put at risk the availability, integrity and confidentiality of the councils information and may cause a Council wide failure of central I.T. systems (incl. Telephony) caused by a malicious attack by hackers, virus, trojan, disclosure of information or Fire/Flood event.</p> <p>Attacks via spam emails containing infected ransomware attachments are on the increase amongst local authorities and should these emails manage to break through Firewalls and Intrusion Detection Systems there is a high possibility of file encryption at both a local and network wide levels.</p> <p>The Cabinet Office has introduced zero tolerance for all LA's connected to the Public Sector Network (PSN). All Scottish LA's use the PSN to register Births, Marriages & Deaths and connection to DWP for benefit provision. We have to re-accredit to this network every year and must meet stringent requirements. Failure to do so would mean disconnection from the PSN.</p> <p>In 2017 the Scottish Government introduced the Cyber - Public Sector Action Plan which sets out the minimum security standards for all public bodies</p> <p>Data Protection In May 2018 the UK Government introduced the Data Protection (DP) Act 2018. The 2018 Act updates DP legislation to take account of recent technological innovations and increases the Council's obligations to demonstrate and maintain compliance, as well as enhancing individual rights.</p> <p>The Council reviewed arrangements for handling subject access requests as it anticipated a rise in the number received due to the removal of the £10 fee chargeable under the previous DP Act 1998. Additionally the timescale for responding to these requests will reduce from 40 days to 1 calendar month. The number of such requests has indeed increased compared with previous years creating additional strain on resources.</p> <p>Breach of the Data Protection Act, other confidentiality requirements, any relevant laws or duty of care through the loss or wrongful transmission of</p>	<p>Information Security The Council uses the international standard ISO 27001:2017 as the framework for its ISM system. This includes objectives, policy framework, internal audit, management support and treatment, training and awareness, risk assessment, measurement of effectiveness, management review, non-conformity management and continual improvement.</p> <p>As part of the security controls required by the standard to mitigate risks, several control areas are set out : IS policy; IS organisation; Human resources security; Asset management; Access controls and managing user access; Physical & Environmental security of all sites/equipment, Secure communications, Data handling and Data Protection (including paper documents); Secure acquisition, development, and support of information systems; Security for suppliers and third parties; Information Security Incident management; Business continuity/disaster recovery (to the extent that it affects information security);</p> <p>Annual IT health checks on the existing infrastructure. New systems introduced are risk assessed and security checked to ensure they meet the criteria.</p> <p>There is a Council Information Governance and Security (IGS) Forum co-hosted by the IT Team Manager – Infrastructure and Security and the Team Manager – Information Governance / Data Protection Officer. The Forum is attended by a network of Information Champions nominated by each Service Manager. This Forum will be used to upskill the Champions in order that they can review and improve practices in their own service areas.</p> <p>Data Protection Compliance – The Council takes measures to avoid breaches of law, statutory, regulatory or contractual obligations (including the DP Act 2018, GDPR and Public Records (Scotland) Act 2011).</p> <p>The Council has reviewed and updated its Data Protection Policy</p> <p>The role of Data Protection Officer is a statutory role which the Council filled in March 2018. The Council also now has a dedicated Data Protection inbox.</p> <p>IS, DP and Records Management Awareness training now forms part of our induction process. This now incorporates a mandatory GDPR module which is supplemented by paper and person-to-person</p>	4	4	16	<p>Information Security Upgrade of external facing systems taking place during 2019 to increase security of our internet facing gateways.</p> <p>The Cyber Essentials + accreditation will be introduced across our corporate and education networks to ensure we meet the Scottish Government Cyber Action Plan in 2019/20.</p> <p>Acceptable use policy for all ELC employees is to be refreshed during 2018/19 with all employees expected to sign.</p> <p>Data Protection The Data Protection Officer will oversee a series of "health checks"/audits in various Council departments to ensure compliance and to improve practice.</p> <p>The Council needs to complete and publish a Corporate Information Asset Register which identifies all Council Information Assets and Data Flows.</p> <p>The Council must ensure that data subjects are informed through Privacy Notices regarding how we use, share and retain personal information.</p> <p>The Council also needs to ensure that all staff are aware of and complying with the Corporate Retention Schedule.</p> <p>The Council needs to review information sharing agreements and contracts to ensure they are fit for purpose. As part of this review the Council will also need to introduce agreements where they are not in place.</p>	3	4	12	Depute Chief Executive – Resources and People Services Head of Council Resources Depute Chief Executive – Partnerships and Community Services	<p>August 2019</p> <p>March 2020</p> <p>August 2019</p> <p>March 2020</p> <p>March 2020</p> <p>March 2020</p> <p>March 2020</p>	<p>Risk further reviewed and updated May 2019 with no change to assessment of current scores as new legislative requirements are still bedding in.</p> <p>Risk reviewed March/April 2015 with new measures now in place although risk score remains at 16 due to the increase of attacks via spam emails containing infected ransomware attachments amongst local authorities.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	<p>information (including information stored electronically) could result in</p> <ul style="list-style-type: none"> - harm to individuals; - legal action; - fines of up to 20 million euros; - requirement to pay compensation; - adverse publicity; - damage to reputation <p>The Act also introduced a mandatory 72 hour window in which to report relevant breaches to the Information Commissioners Office.</p>	<p>training. Data Protection, GDPR and IS awareness training is mandatory for all employees and must be renewed every two years. The Data Protection Officer has developed a GDPR toolkit including templates, guidance and information to support Corporate GDPR compliance. The Toolkit will be updated and maintained on a continuous basis.</p> <p>The Council's Records Management Plan covers how the Council manages its records and includes links to our IS, DP policies and retention schedule. There is an annual approval of Progress of Records Management Plan by The Keeper.</p> <p>CMT and SMT have both been briefed on GDPR/DPA 2018 and will continue to receive briefings from the DP Officer and any other relevant staff.</p> <p>The Council website has been updated to include a revised privacy statement and cookie policy.</p> <p>Large numbers of staff Council-wide have been reviewing information sharing agreements and contracts. Revised templates for Information Sharing Agreements and Data Processing Agreements have been produced and a joint strategy with Procurement, Legal and People and Governance is in place to roll out updates to all new and existing contracts.</p> <p>The Council implements DP Impact Assessments (DPIA) for all new business processes which will be incorporated into the Council's Integrated Impact Assessment Process. A standalone template has been produced to enable staff to complete DPIAs for individual processes/projects.</p> <p>The DP Officer has attended multiple team meetings to brief on GDPR and required actions. The DP Officer has also held several meetings with the transformation team regarding supplier compliance and DPIAs. DPIA is also embedded in the Transformation teams' project methodology.</p> <p>The DP Officer and the Communications team have created a Communications Plan including Inform briefings, e-mail updates and other training and briefings.</p> <p>The Council has a close working relationship with SOLAR (Society of Local Authority Lawyers and Administrators) and attends meetings regularly. These meetings are also attended by the Information Commissioners office. The Council also attends and currently chairs ASLAWG (Archivists of Scottish Local Authorities Working Group) to share best practice with other record keeping professionals.</p> <p>Data Breaches A Data Breach Team has been established including the Team Manager – Information Governance/DPO, the IT Team Manager – Infrastructure and Security, the Service Manager – People and Governance, the Service Manager – Legal and Procurement, and the Head of Council Resources. The group meets as</p>										

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		needed to address reported data breaches quickly and effectively in line with new mandatory 72-hour reporting deadlines. A Data Breach Procedure has been approved by CMT including a mandatory reporting form for completion by staff upon discovering a breach. All breaches are to be reported to the Data Breach Team by phone or email within 24 hours of discovery.										
ELC CR 5	<p>Limitation (Childhood Abuse) (Scotland) Bill</p> <p>On 16 November 2016 Scottish Government introduced the Limitation (Childhood Abuse) (Scotland) Bill to remove the three year limitation period for civil actions arising out of childhood abuse (defined to include sexual abuse, physical abuse, and emotional abuse) relating to children who have been in the care system. This means survivors no longer have to persuade a court to exercise its power to allow an action to proceed notwithstanding the three year limitation period and may raise action relating to the predecessors Councils responsibilities</p> <p>In conjunction with the Scottish Child Abuse Inquiry there is an increased likelihood of claimants coming forward potentially resulting in financial implications if historic allegations of child abuse are made and upheld against East Lothian Council as the statutory successor.</p> <p>There is no way of knowing how many claims may be made (i.e. all 'living' potential claimants). The Council has received intimation of several claims for compensation and at least two court actions have been raised and are progressing through the Court. It is anticipated this number will rise considerably. The Council's insurers have indicated that they will cover appropriate external legal costs and compensation payments but the cases will place considerable strain on internal resources within the legal, social work and records management teams for which there is no additional budget.</p>	<p>Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration.</p> <p>Close monitoring of the work of the Scottish CAI itself and review of any published materials.</p> <p>Records Management Expertise allows us to respond effectively to SAR requests and information requests / provide evidence.</p> <p>Cross Lothian collaboration on Lothian Region period 1975 to 1996 (and predecessor authorities) re-records management etc.</p> <p>Accurate records post 1996 relating to East Lothian Council clients.</p> <p>Scotland-wide networking and information sharing on SCAI between authorities.</p> <p>Council Financial Reserve – may reduce the impact to service provision if claims extend beyond budget.</p> <p>Continue current working practices with care experienced young people in accord with national legislation and care standards, reducing likelihood of any 'new' claims arising.</p>	4	4	16	<p>CACG and SCAIOG reports to CMT – to sustain level of awareness of risk.</p> <p>Monitor and build a timeline showing the Councils control of the schools from 1975 onwards.</p> <p>Monitor to ensure that there is sufficient staffing resource available to deal with claims, court actions and recovery of documentation and to preserve the Council's position.</p> <p>Make budgetary provision for any additional costs/claims that may not be covered by insurance.</p>	3	3	9	East Lothian Council	Continue to progress all and report quarterly to CMT.	<p>Risk reviewed May 2019 with no change to assessment of current scores.</p> <p>New risk created March 2017 and further reviewed and updated August 2018 with no change to assessment of risk scores.</p>
ELC CR 6	<p>Flooding and Coastal Erosion</p> <p>As the incidence of flooding and coastal erosion increases as an impact of Climate Change, there is an increased risk of disruption to road and path networks, impact on public safety, damage to roads, property, harbours and natural heritage sites and an associated increase in claims against the Council.</p>	<p>Flooding and drainage issues are considered when processing planning applications. Inspection regimes and good housekeeping measures in place.</p> <p>The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response across the county. Emergency surface water, coastal and river flood procedures in place and have proven effective.</p> <p>Shoreline Management Plan has been produced. A National Flood Risk Management Strategy has been produced and a Local Flood Risk Management Plan for the Forth Area has also been published to meet the requirements of the Flood Risk Management (Scotland) Act 2009 which includes specific actions to be discharged by the Council.</p> <p>Flooding advice is on the Council website and directs people to the relevant pages on the SEPA website.</p>	4	4	16	<p>ELC have commissioned Flood Studies for Haddington and Musselburgh and are progressing a Flood Protection Scheme on the River Esk through Musselburgh.</p> <p>Flood Protection Schemes for Musselburgh and Haddington have been included in the List of Prioritised Actions in the Local Flood Risk Management Plan for the Forth Estuary Local Plan District. Implementation of Flood Protection Works is reliant on available funding. These two schemes are being funded 80% by Scottish Government and 20% by East Lothian Council.</p> <p>The Musselburgh Flood Protection Scheme is a fully established project. It has completed two of its nine stages, and is undertaking Stage 3 – the Option</p>	3	3	9	<p>Depute Chief Executive – Partnerships and Community Services</p> <p>Depute Chief Executive – Resources and People Services</p>	<p>2024</p> <p>2016-2022</p> <p>2024</p> <p>2024</p>	<p>Risk further reviewed and updated May 2019 with no change to assessment of current scores.</p> <p>Risk further reviewed and updated March 2017 with no change to assessment of current scores.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		<p>The Council is working with various organisations to promote and progress "Resilient Communities" as per the Scottish Government initiative "Ready Scotland".</p> <p>Communication with vulnerable groups regarding access and assistance during severe weather events.</p>				Appraisal Process. The project is programmed to achieve construction completion and flood protection achieved by October 2024.						
ELC CR 7	<p>Expansion of Early Learning and Childcare (ELCC) to 1140 hours.</p> <p>Scottish Government are implementing plans to expand ELCC to 1140 hours by 2020. Potential risk that this cannot be delivered within the timescale due to challenges of expanding within existing resource, available funds and staffing.</p> <p>Risk that expansion cannot be delivered due to pressures on other council departments</p> <p>Risk that quality in existing early years provision deteriorates because the focus is on the expansion.</p> <p>Reputational risk to the Council from Scottish Government reporting on progress in relation to the delivery of 1140hrs ELCC. Parents not able to access 1140hrs of ELCC.</p> <p>There is a risk to the Council that a significant increase in workload reduces the availability of other Council service areas to ensure delivery to timescale.</p> <p>Reputational risk to the Council from Partnership centres who regard the offered hourly rate as non-sustainable and decline to be in partnership.</p>	<p>The Council continues to develop detailed plans and work with Scottish Government to take forward the expansion. Project board and associated working groups are already in place.</p> <p>There is clear governance of the project through the 1140 hours project board to ensure careful planning, communication and monitoring of progress.</p> <p>Work underway to establish baseline of quality across all provision and ELCC across all settings will be supported and monitored by the early years team</p> <p>Scottish Government National Standard for Partnership and associated guidance followed. Relationships have been well established with neighbouring authorities and learning from other approaches ensures that progress is on track.</p> <p>Strong focus on the quality of existing provision alongside the expansion and enhancement of the number of staff focussed on both areas.</p> <p>Positive engagement with partner nursery providers of early learning and childcare to ensure planning meets the Scottish Government brief regarding parental choice, flexibility, quality and accessibility.</p> <p>Work stream groups established, including cross sector representation, and network meetings that feed in to the project board to ensure collective detailed planning across service areas and consider risks associated with delay.</p>	3	4	12	<p>Continue to ensure regular planned governance meetings with focussed actions and reporting on key priorities take place.</p> <p>Continue to review the planning and preparation for full implementation by 2020.</p> <p>Ongoing work with council departments to ensure key priorities are met.</p> <p>Liaison with SG to ensure that risks are flagged and that the service is aware of expectations and demands.</p>	2	4	8	<p>Head of Education</p> <p>Head of Council Resources</p> <p>Head of Finance</p> <p>Chief Operating Officer (Education)</p>	<p>August 2019</p>	<p>Risk reviewed and updated May 2019 with no change to assessment of scores.</p> <p>Current risk score reduced by Chief Operating Officer (Education) from 16 to 12 in November 2018 due to ongoing work with stakeholders and a continued focus on quality. Residual score also reduced from 12 to 8.</p> <p>New risk created August 2017 by Education Senior Management Team.</p>
ELC CR 8	<p>Duty of Care to Public and Public Protection</p> <p>The Council has a responsibility to provide care and support for the people of East Lothian and East Lothian's environment. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults.</p> <p>Failure to fulfil the duty of care could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>A failure to secure efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, Offender Management, Violence against Women and Girls and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn result in reputational damage to and increased scrutiny of the Social Work services.</p>	<p>The East and Midlothian Public Protection Committee (EMPPC) incorporates the Adult Protection Committee, Child Protection Committee, Offender Management Committee and Violence Against Women Partnership and ensures robust links with Midlothian and East Lothian Drug and Alcohol Partnership (MELDAP).</p> <p>Revisions to the East Lothian and Midlothian Public Protection Office and model for Domestic Abuse service delivery. Continued investment in the office's frontline domestic abuse support service.</p> <p>Increase in the hours of the Multi-Agency Risk Assessment Coordinator, to help manage the rising number of referrals through the domestic abuse referral pathway.</p> <p>Governance and scrutiny arrangements through Critical Services Oversight Group (CSOG), including Self Evaluation. The Public Protection Office Business Plan is reviewed six monthly by CSOG.</p>	<p>A multi-agency case file audit of core Adult Support and Protection processes is scheduled for June 2019, aligned with the Care Inspectorate quality improvement framework.</p> <p>A multi-agency self-evaluation exercise for Child Protection is underway and will conclude by August 2019, aligned with the Care Inspectorate quality improvement framework.</p> <p>The East Lothian and Midlothian Public Protection Office are coordinating the joint involvement of East Lothian and Midlothian as pilot areas in the national minimum dataset for Child Protection. The pilot ends in July 2019. The dataset itself is scheduled for implementation in the current fiscal year.</p> <p>The East Lothian and Midlothian Public Protection Office website will be rebuilt by</p>	3	4	12	2	4	8	<p>Chief Executive</p> <p>Critical Service Oversight Group</p> <p>Depute Chief Executives</p> <p>Director of East Lothian Health and Social Care Partnership</p> <p>Heads of Service</p> <p>Chief Social Work Officer</p> <p>Public Protection Team Manager</p>	<p>June 2019</p> <p>August 2019</p> <p>July 2019</p> <p>October 2019</p>	<p>Risk further reviewed and updated May 2019 with no change to assessment of current scores.</p> <p>Former Public Protection and Duty of Care to Public Risks combined and reviewed May 2016. Current risk score reduced from 16 to 12 and Predictive Risk score reduced from 12 to 8 as likelihood reduced.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	<p>The duty of care is at the heart of the Council's approach to risk management. The likelihood of this risk occurring is influenced by a range of factors including:</p> <p>(1) Complexity of service delivery, infrastructure, environment and partnership arrangements across the Council services;</p> <p>(2) Increasing population and the number of vulnerable people in East Lothian;</p> <p>(3) Increased population and more complex service demands presented by an increasing number of service users whilst resources have reduced</p> <p>(4) Levels of deprivation in East Lothian;</p> <p>(5) Capacity in partnership and purchased services.</p>	<p>Policies, Protocols, Procedures and Guidance are in place, subject to ongoing review and update and available on Public Protection website: www.emppc.org.uk.</p> <p>Chief Social Work Officer (CSWO) fulfils statutory role and responsibilities, overseeing and reporting on Public Protection issues to Chief Executive and Elected Members, reporting annually to Council giving oversight of Public Protection performance including assessment of risks and pressures.</p> <p>The Council continues to work towards delivering the UK Governments Counter Terrorism strategy, known as CONTEST, of which Prevent is a key element. The EMPPO has led on revisions to our Prevent referral pathway.</p> <p>All employees can access appropriate training/E-Learning, free of charge, covering Public Protection.</p> <p>All Regulated Services e.g. Care homes for older people, residential units for young people, Schools are inspected by Care Inspectorate and HMIE. Action Plans are implemented following on from all Regulated Services inspections.</p> <p>The Lead Officers for Child Protection and for Adult Support and Protection chair meetings to review decisions taken at Inter-agency Referral Discussion where significant risk is identified.</p>				<p>31 October 2019 and will be much more targeted, interactive and user-friendly.</p> <p>By 30 June 2019, the East Lothian and Midlothian Public Protection Office will begin to implement a targeted communication strategy for Public Protection, involving internal audiences and the broader public, through a range of media channels.</p> <p>By 31 October 2019, the East Lothian and Midlothian Public Protection Office will coordinate a joint response to improve how we meet our obligations under the Counter Terrorism and Security Act (2015) and the Prevent Duty for Scotland Guidance (2018), to give due regard to the need to prevent people being drawn into terrorism. This will involve joint training opportunities, awareness raising activities and learning from best practice. The EMPPO will continue to coordinate Prevent Professional Concerns Case Conferences, where an individual has been identified at risk of being drawn into terrorism.</p>				<p>Health and Safety Team</p> <p>Emergency Planning and Risk Management Team</p>	<p>June 2019</p> <p>October 2109</p>	<p>Risk reviewed and updated April 2015 by CMT with further review planned throughout 2015/16.</p>
ELC CR 9	<p>Duty of Care to Council Staff (Health & Safety)</p> <p>East Lothian Council has a duty of care and has existing Health and Safety Policies to look after the care of staff to all its employees across the full range of services and those who can be affected by the Council's activities.</p> <p>Any breach of this duty of care may affect the health, safety and wellbeing of the Council's employees leading to increased sickness absence, pressures on service delivery with the added potential for claims against the Council for incidents involving employees or non-employees.</p> <p><u>Lone Working</u> Failure of the Council to provide employees with effective Lone Working Arrangements and the appropriate training could result in injury or death to those employees resulting in H&S prosecution, civil insurance liability, reputational risk, increased sickness absence and pressures on service delivery.</p> <p><u>Safe Driving at Work</u> "Health and Safety Law applies to on the road work activities as to all work related activities and the risks should be managed within a health and safety management system". Failure to implement and maintain a Safe Driving at Work (SDAW) Policy and Guidance to ensure that the Council meets current Health & Safety guidelines could result in the Council facing legal action if a serious road accident were to take place involving any driving operation undertaken</p>	<p>All employees receive an induction, have job outlines and follow the PRD process ensuring all are capable and trained to perform safely in their roles.</p> <p>Quarterly Joint Health and Safety Committees oversee the Health and Safety Agenda of Council. This is supported by Joint Consultative Committees/Departmental committees examining health and safety at a department level.</p> <p>Quarterly reviews of Occupational Health Service referral levels take place. Monthly Occupational health contract and work level review takes place along with a review of service need and demands.</p> <p>Revised Managing Attendance Policy. Workshops (by HR Team) for Managers undertaken prior to and after release to ensure all are familiar with the revisions. More robust scheme which will help to identify any employee health and wellbeing issues earlier to enable managers to put appropriate support mechanisms in place. Managers' guidance notes issued and HR Team available to support Managers as required. Managing attendance and Managing sickness Absence Policies in place. Training for managers in managing attendance and sickness absence in place</p> <p>Risk assessments carried out to identify significant workplace hazards and to establish suitable workplace controls e.g. safe systems of work.</p>	3	4	12	<p>Imminent re-specification and re-tender of the Contact Centre Client Management System, hosting the staff lone working component, in progress to sustain lone working system and process.</p> <p>Review and update of SDAW Policy and Guidance through the SDAW Group.</p>	2	4	8	<p>Depute Chief Executive – Partnerships and Community Services</p> <p>SDAW Group</p> <p>Health and Safety Team</p> <p>Human Resources</p>	<p>September 2019</p> <p>July 2019</p>	<p>Risk reviewed and updated May 2019 with no change to assessment of current scores.</p> <p>Risk refreshed December 2015 by CMT with current residual score reduced from 15 to 12 and planned score reduced from 10 to 8.</p> <p>Risks on Lone Working, Safe Driving at Work and Duty of Care amalgamated into one Duty of Care (H&S of employees) Risk in May 2014 at the request of CMT.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
	by employees, Elected Members, volunteers, agency workers or other authorised parties using personal, Council or hired vehicles, as well as any driving Council fleet vehicles, in connection with Council business.	<p>Health Surveillance is carried out on employees where they are exposed to specific hazards.</p> <p>Safety Management System supported by audit and inspection programme across the Council.</p> <p>Health and Safety Training needs are identified from project plans and Risk Assessment Findings.</p> <p>Ongoing HWL initiatives programme rolled out across all Services promoting workplace health and wellbeing.</p> <p>24/7 Employee Assistant Programme in place available to all employees including Physiotherapy and OH service in place.</p> <p><u>Lone Working</u> Information on Lone Working is part of the Service Level Induction process. Lone Working employees who require access to the lone worker system receive training on the use of this. Specific procedures are in place in services with a high level of lone working such as Health and Social Care and Revenues, including risk assessments, electronic diaries, mobile phones and signing in/out books.</p> <p>Where required Lone workers have access to lone worker devices (Reliance personal alarm) which have 24/7 GPS monitoring. This system allows staff to log their activities and an alarm to be raised if they don't report back at the appropriate time. It also allows staff to raise an immediate alarm.</p> <p>http://secure.relianceprotect.com/SentinelWeb</p> <p>Lone workers can be tracked via a dedicated website and are able to raise an alarm by activating their device and an 'officer down' alarm will also trigger intervention procedures if activated. This service is also being utilised elsewhere within the organisation.</p> <p>A Potentially Violent Clients Register has been set up which enables the sharing of information relating to potentially violent clients across customer facing teams allowing managers to identify and implement control measures to protect employees from harm.</p> <p>All Council Vehicles have a Vehicle Tracking system, including those used by lone staff working directly with clients.</p> <p><u>Safe Driving at Work</u></p> <p>A Safe Driving at Work Policy and a Guidance Manual in place to ensure that safe driving principles are embedded across the Council. This policy is now available online for all Managers to utilise.</p> <p>Arrangements are in place to ensure the reporting and recording of all accidents and incidents arising from work related driving as well as identifying and implementing remedial actions following road traffic accidents.</p>										

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		<p>Council vehicles used in the course of Council activities are properly maintained and fit-for-purpose. All Council vehicles over 3.5t are maintained in accordance with VOSA publication "Guide to Maintaining Roadworthiness".</p> <p>The E Davis system used by East Lothian Council records and monitors grey fleet users driver details including insurance, RFL and driving licence. This ensures that the registered drivers have the correct credentials to drive on behalf on the Council.</p> <p><u>Fire Safety</u> Fire Safety Risk Assessments are carried out on all our operational buildings where employees work and any remedial action prioritised and put in place.</p>										
ELC CR 10	<p>Failure to maintain a Highly Skilled Workforce</p> <p>The Council's salary and grading structure may not be competitive compared to other employers making it more difficult to recruit qualified staff to certain posts.</p> <p>The high number of specialist roles/skills within the Council means that service reviews, budget restrictions, long-term absence, cessation of contract etc. could compromise service delivery.</p> <p>Reduction in skilled, qualified and experienced workforce would result in an inability to provide good quality services, increased pressure on existing staff and increased likelihood of poor operational performance.</p> <p>The Council recognises that a large proportion of the workforce is aged over 55 years and many staff with significant knowledge and experience could leave the Council leaving the Council at risk in key areas.</p>	<p>The Council has an approved Workforce Plan 2018-2022 which addresses the issues relating to this risk.</p> <p>The Plan contains 38 actions which are being brought together into a detailed Implementation Plan seven workstreams which are being taken forward by lead officers.</p> <p>Actions, such as developing a Management and Leadership Programme, reviewing the Managing Attendance Policy, renewed focus on Healthy Working Lives and implementing the Early Learning and Childcare Workforce Plan are already underway.</p>	3	3	9	Keep the implementation of the Workforce Plan under review.	3	3	9	Service Manager Corporate Policy & Improvement Service manager – People and Governance	Ongoing through to 2022	<p>Risk reviewed May 2019 with no change to assessment of current scores.</p> <p>Risk reviewed and refreshed July 2018 with Current Risk Score reduced from 12 to 9.</p> <p>New risk created May 2016 and further revised July 2017 with no change to assessment of current scores.</p>
ELC CR 11	<p>Severe Weather</p> <p>There is a risk that an extended period of severe winter weather will lead to an increase demand for gritting and snow clearing of roads/footpaths which exceeds normal capacity and supplies of salt.</p> <p>This could result in travel disruption, difficulties for people in accessing services, failure to maintain refuse collection timetable and school closures at short notice as well as a possible increase in insurance claims related to pothole damage.</p>	<p>East Lothian Councils Winter Maintenance Plan has been in place for some time and ensures that the main transport routes are treated as priority.</p> <p>The ELC Severe Weather Response Plan has been developed over the past few years and ensures a co-ordinated and consistent multi-agency response across the county and is reviewed annually in conjunction with support from partner agencies.</p> <p>The ELC Severe Weather plan review for 2018 included reference to and improvements learned from the 'Beast from the East' incident when many parts of East Lothian ground to a halt because of the heavy snow falls.</p> <p>A workshop, hosted by East Lothian Council, to further progress Resilient Communities, for the benefit of Community Councils and other voluntary organisations, will take place on Saturday 26th October 2019. This is now an annual event for the benefit of the communities.</p> <p>Claims protocol in place within the Insurance section.</p>	3	3	9	Community Councils and TRAs have been asked to appoint SPoC and deputies for resilient matters including severe weather. During such an incident ELC will communicate directly with these SPoCs/Deputies. This reflects ongoing work and 10 Community Councils are seriously engaged with this initiative with several other such Councils interested and discussing the way forward.	3	3	9	Depute Chief Executive – Partnerships and Community Services	December 2019	Risk refreshed May 2019 with no change to assessment of current scores.

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
		<p>Education personnel are fully engaged with Prevent and appropriate filters have been installed on the Education infrastructure.</p> <p>ELC Managers have received Prevent training.</p> <p>A mandatory e-learning (level 1) training package available to all staff.</p> <p>A good level of engagement will be maintained with Community Planning Partners.</p> <p>A Prevent Plan sub-group has been established and meets regularly.</p> <p>Prevent reporting process has been established.</p>				Midlothian Council re-outcome of their peer review.						
ELC CR 13	<p>Carbon Management</p> <p>There is a risk that the Council may fail to meet its public bodies duties under the Climate Change (Scotland) Act 2009 to reduce its carbon emissions, adapt to climate change and endeavour to act sustainably.</p> <p>Failure to mainstream and embed action to address climate change issues may harm the Council's reputation (in terms of corporate social responsibility) and increase the potential for unbudgeted costs and financial penalties.</p>	<p>Sustainable Energy and Climate Change Officer recruited April 2018, who leads on driving and coordinating the work of the Council to meet its climate change obligations and commitments.</p> <p>A Climate Change Strategy and Action Plan is being prepared, which will update and replace the Environment Strategy (2010-15) and Carbon Management Plan (2009-14, extended to 2015).</p> <p>A Climate Change Planning and Monitoring Group is established, under the East Lothian Partnership. The Group will play a critical part in driving and coordinating the work of the Partnership to meet its climate change obligations and commitments and will also be responsible for developing and monitoring the Climate Change Strategy.</p> <p>Supporting the work of the Group relevant Service Areas will be tasked to implement relevant plans and projects identified in the Climate Change Strategy.</p> <p>An Energy Transformation Board has been formed, which has been tasked to look at generating income from installing low carbon technologies across the Council's estate.</p> <p>Area Partnerships serving the six cluster areas of East Lothian were established in 2014, providing the main opportunities for local communities to contribute to the East Lothian Plan and influence service planning and delivery in their area. Each Partnership is responsible for developing a strategic level Area Plan, linked to the priorities in the ELP, which will be delivered by partners and involve local communities. Sustainable travel has been identified as a key priority across all the Partnerships.</p>	3	3	9	<p>Develop and implement a Climate Change Strategy and Action Plan with associated plans and strategies as required (i.e. Local Housing Strategy, Local Heat and Energy Efficiency Strategy).</p> <p>The key actions for tackling climate change in East Lothian are drawn from the action plans and policies in the following existing plans and strategies in particular:</p> <ul style="list-style-type: none"> • East Lothian Local Development Plan 2018 • East Lothian Local Transport Strategy 2018-24 • East Lothian Local Housing Strategy 2018-23 • East Lothian Open Space Strategy 2018 • Green Networks Strategy Supplementary Planning Guidance <p>The Sustainable Energy and Climate Change Officer will work with relevant Service Areas, external partners and stakeholders to deliver the actions once approved.</p>	2	3	6	<p>Depute Chief Executive – Partnerships and Community Services</p> <p>Sustainable Energy and Climate Change Officer</p>	<p>April 2020</p> <p>April 2020</p>	<p>Risk refreshed April 2019 by Sustainable Energy and Climate Change Officer with no change to assessment of scores.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 14	<p>Business Continuity</p> <p>Failure to ensure currency of Business Continuity Plans could lead to services not having a robust response to an incident affecting their service area or critical services may not be maintained, while critical services for the public could be affected and statutory requirements not completed.</p> <p>Non availability of:</p> <ul style="list-style-type: none"> premises, through fire, flood or other unexpected incident; key staff or significant numbers of front-line staff for any reason e.g. a Pandemic; systems (IT, telephony, power failure etc.); any form of transportation due to a fuel shortage. <p>The occurrence of any of these may have an adverse effect on the Council to function fully and to complete critical services and statutory requirements.</p>	<p>Business Continuity Framework Plan in place and regularly reviewed.</p> <p>Business Continuity Plans are maintained for all service areas, giving details of minimum levels of staff, alternate locations, exercise and review dates and version control.</p> <p>The Chief Executive has a statutory responsibility for the ELC BC process. The Heads of Service remain responsible for ensuring the BC process is completed within their area of work.</p> <p>Each service area now has a Single Point of Contact (SPoC) and deputy who are responsible for, their services BC Plan, exercising this plan and ensuring it is maintained. All BC Plans are managed through Continuity² Software.</p> <p>ELC staff have access to an e-learning package on Business Continuity.</p> <p>IT –specific disaster recovery arrangements in place for the critical systems – telephony, e-mail and social care. These have duplicate servers in place off site which can be brought into action if ELC lost its main data centre at JMH.</p> <p>An IT Disaster Recovery Plan is in place and will be regularly updated when any changes take place in the main data centres.</p> <p>For single server failure - there are over 100 systems now running on virtual servers which automatically fall over to another server if there are hardware issues.</p> <p>Controls that are in place to prevent and limit the effects of IT system unavailability including firewalls, anti-virus software, system/ data backup routines, and resilience in the form of a back-up generator for the main data centre at JMH.</p> <p>The Council will be advised by Scottish Government whenever there are Fuel Shortages on the horizon. Fuel supply is held at our depots and can be sourced externally from local fuel service stations and through shared services with other Local Authorities. Regular monitoring of current fuel stock and assessment of any weather predictions, political developments or industrial action etc. that may affect fuel availability.</p>	2	4	8	<p>Continue to progress BC with Education.</p> <p>Organise and plan a full real time exercise, involving a facility (possibly JMH) to test the ELC BC plans.</p> <p>Review the ELC BC e-learning package to ensure it is current and makes reference to the new Continuity² software.</p> <p>A review of the ELC BC framework and Policy to include reference to new software and subsequent processes.</p>	2	3	6	<p>Emergency Planning, Risk and Resilience Manager</p> <p>Emergency Planning, Risk and Resilience Officer</p>	<p>August 2019</p> <p>November 2019</p> <p>December 2019</p> <p>September 2019</p>	Risk refreshed May 2019 with no change to assessment of current scores.

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 15	<p>Public Sector Reform</p> <p>Major elements of public sector reform have been or are being implemented including:</p> <ul style="list-style-type: none"> Integration of Health and Social Care and creation of a new H&SC Partnership; Implementation of the Community Empowerment (Scotland) Act 2015; New legislative duties in procurement, regulation, and children and young people; Reform of Education <p>Following the Scotland Act 2016 there is continuing uncertainty about the future governance of Scotland, the future structure and governance of local government and the public sector and continuing pressure on public finances.</p> <p>The Scottish Government is carrying out a Review of Local Governance which may result in further public sector reform with impact on local government.</p> <p>The cost of implementing changes arising from legislation is not always fully reflected in Scottish Government funding. In addition, the Scottish Government's commitment to protect and increase funding in priorities such as health and education run the risk of further eroding Scottish Government funding for other local government services.</p> <p>Existing public sector reforms and new reforms create uncertainty, additional workload, requirement to restructure services and new accountability, governance, scrutiny and partnership arrangements.</p>	<p>CMT and elected members work together to ensure that the Council is prepared for future public sector reform and differing scenarios for future governance, financial, operational and performance management arrangements are explored in order to minimise risk.</p> <p>Responses to the Scottish Government on consultations around public sector reform are prepared and submitted as required. Financial and resource scoping is carried out as required.</p> <p>The Integration Joint Board has been established along with appropriate governance and scrutiny arrangements.</p> <p>East Lothian Partnership has a new East Lothian Plan that will meet the requirements set out in the Community Empowerment (Scotland) Act 2015 to have a Local Outcome Improvement Plan. The structure of the Partnership has been revised to provide a more focused approach to implementation of the Plan and addressing issues arising from the public sector reform agenda.</p> <p>Effective working relations with key partners including Police Scotland, Scottish Fire and Rescue Service, NHS Lothian and the voluntary sector are being further developed through East Lothian Partnership and bi-lateral meetings and arrangements to prepare for public sector reform.</p> <p>Area Partnerships now established and will be supported to enhance local service delivery.</p> <p>The Council has put in place processes to deal with its new duties and responsibilities arising from the Community Empowerment (Scotland) Act 2015 such as responding to Participation Requests and Community Asset Transfer requests.</p> <p>Maintain regular communication with employees to manage any uncertainty in times of change.</p> <p>The Council's Transformation Programme will provide resilience to assist to respond to public sector reform.</p>	2	3	6	<p>Continue to monitor developments in the Public Sector Reform agenda and Scottish Government's legislative programme and develop responses to exploit potential benefits from, or mitigate potential negative impacts of, different future scenarios.</p> <p>Reports will be submitted to Council on the implications of the reform proposals and on the Council's preparations, as appropriate which are led by the Chief Executive and senior officers.</p>	2	3	6	Chief Executive	June 2019 Ongoing	<p>Risk reviewed May 2019 with no change to assessment of current scores.</p> <p>Risk reviewed by Board of Directors August 2018 and Assessment of Current and Residual Scores reduced from 12 and 9 to 6 and 6.</p> <p>Risk reviewed and refreshed July 2018 with Current Risk Score reduced from 16 to 12 and residual score from 12 to 9.</p> <p>Risk further reviewed and updated April and August 2017 with no change to assessment of current scores.</p> <p>Risk reviewed and refreshed May 2016 with Current Risk Score increased from 9 to 16.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 16	<p>Corporate Events Management</p> <p>Effective preparation and co-ordination across a number of services, for high profile events coming to East Lothian is essential and failure to achieve this could result in a risk of adverse reputational impact for the Council on a national/international level as well as possible legal procedures at fatal accident enquiries accounting for our action or non-action.</p> <p>COSLA, Police Scotland and the Health & Safety Executive (HSE) recommend that Local Authorities form a core group, led by a senior officer, who will meet to discuss all events taking place within their area over a pre-determined period of time. This group includes the blue lights and other appropriate organisations and decide if each individual event should be organised through a separate, specific Safety Advisory Group (SAG) or if the event can carry on without interference, other than appropriate safety advice.</p> <p>The following criteria would be considered by the 'over-arching' SAG:</p> <ul style="list-style-type: none"> • Status of the principal e.g. HM Queen • Status of the event organiser e.g. Scottish Defence League • The size of the crowd or the number of spectators • The profile of the event e.g. North Berwick Highland games. • The requirement for a TTRO • At the request of one of the partner agencies • At the request of an event organiser <p>The council is involved in events as they tend to take place in Council parks or on our roads and the Council issues licenses and permits for events. The Council also has a statutory role in enforcement /inspection (building control, food hygiene etc.) and will help the organisers with traffic management.</p> <p>If the event organisers fail to have the correct licences or processes, advised through a SAG meeting, in place then it is the organisers not the Council, who face the risk of possible criminal prosecution.</p>	<p>The Council now has a SAG policy and a Senior Officer – Events Co-ordination in place who is now the Single Point of Contact (SPOC) to overview events and event notifications, awareness and assessment to support overarching SAG meetings and Corporate Events Management Group meetings and the actions that flow from these.</p> <p>Events that require to be put through the SAG are managed through a risk assessment process which grades each event as having a Red, Amber or Yellow risk profile. Events graded as Yellow are not required to attend a SAG meeting. Those graded Red and Amber are required to attend a SAG meeting.</p> <p>The Corporate Events Management Group will hold SAG process overview meetings (at least annually) to decide which events require to attend SAG.</p> <p>The SAG group co-ordinate preparation for various events as per event schedule, with representation from all relevant Services areas and Multi-Agency Partners.</p> <p>Event guidance for organisers of events is published on the Council website.</p> <p>Where the SAG group is set up, for a specific event, it has no statutory power to stop it taking place; however, it can withdraw its support and co-operation which means that the event cannot proceed. This is especially true in terms of their insurance cover. Police Scotland will always provide the final advice on public safety.</p>	2	3	6	<p>Events information and documentation accessed through the ELC website will be reviewed by the ELC member of staff. This new staff member will also review all processes linked with the SAG process, through his line manager, to improve the overall system in place and ensure it becomes more 'user friendly' as per 'lessons learned' from work completed in this area to date.</p>	2	3	6	<p>Depute Chief Executive - Partnerships & Community Services</p> <p>Head of Service (Development)</p> <p>Service Manager – Protective Services</p> <p>Team Manager, Economic Development</p>	September 2019	<p>Risk reviewed May 2019 with no changes to assessment of risk scores.</p> <p>New risk created May 2016 and updated April 2017 with current score reduced from 12 to 6 and residual score from 8 to 6 due to implemented measures, chiefly new Senior Officer – Events Co-ordination and SAG process in place.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 17	<p>Equality</p> <p>Failure to meet duties and legislative requirements of the Single Equality Act 2010.</p> <p>The Single Equality Act 2010 and related guidance places a general duty on public authorities to be active in promoting equality, eliminating unlawful conduct and fostering good relations. It also places specific duties on public authorities to</p> <ul style="list-style-type: none"> report on mainstreaming the equality duty; publish equality outcomes and report progress; assess and review policies and practices; gather and use employee information; publish gender pay gap information; publish statements on equal pay; consider award criteria and conditions in relation to public procurement; publish in a manner that is accessible. <p>The Scottish Government has introduced a 'socio-economic duty'. This will require the Council to consider the impact of our work on those living in poverty. The Council will need to respond to the full requirements of this new duty and raise awareness of the requirements on the Council.</p> <p>There is a risk that the Council may not be able to meet its general or specific duties and in particular at a time when difficult budget decisions are having to be made that there will be cuts in services or increases in charges that have a disproportionate impact on people who may need those services most because of their equality background.</p> <p>The Council would be open to legal challenge of not meeting its duties and in particular of not carrying out adequate assessment of impact of policies and budget decisions.</p>	<p>ELC Equality Plan in place and available online. A revised Equality Plan was produced in 2017. This includes the commitments made by East Lothian Council as a Licensing Board and as an Education Authority. The plan outlines our commitments:</p> <ul style="list-style-type: none"> Continue to lead a culture where respect, choice and understanding is fostered and diversity positively valued; Maintain a working environment where unlawful discrimination, harassment, victimisation or bullying is not tolerated; Continue to develop our understanding of the needs of different individuals and communities in a time of rapid change; Continue to embed the equality agenda in all our work, and contribute to the early intervention and prevention approach adopted by the Council and its Partners; Improve understanding of the impact of poverty and inequality on people's lives; and Ensure that we plan and deliver services which meet modern standards of delivery and that are inclusive of a wide range of different needs from digital services to face to face interactions <p>The Integrated Impact Assessment Process is embedded and is now widely used. This includes consideration of poverty which should allow us to meet the requirements of the new socio economic duty. A programme of support, including training on the new IIA process is ongoing.</p> <p>The Health & Social Care IJBs (East & Midlothian and City of Edinburgh) along with NHS Lothian will use the 'checklist and IIA form' package, with East and Midlothian Councils using the IIA form only package.</p> <p>HR is annually capturing the employment monitoring information required under the Act, reporting it appropriately and carrying an Equal Pay Audit.</p> <p>ELearning equalities modules are available on Learn Pro and 'Get in on the Act' guides to the Council's legal responsibilities are available for all employees and Elected members. A new e learning package 'Understanding Poverty' has been added to support employees to understand about taking poverty into account when designing services and will be updated once details of the Socio Economic duty are known.</p> <p>The actions from the East Lothian Poverty Commission have been turned into a detailed Action Plan with clearly defined responsibilities and timelines.</p> <p>We will be working with Police Scotland to refresh the East Lothian Hate Crime Action plan.</p>	2	3	6				Depute Chief Executive – Partnerships and Community Services	<p>Risk further reviewed and updated May 2019 with no change to assessment of current scores.</p> <p>Risk register updated August 2017 to include the new Equality Plan and to flag the introduction of the Socio Economic duty. No change to assessment of current scores.</p> <p>Risk further reviewed and updated April 2017 with no change to assessment of current scores.</p> <p>Risk reviewed and refreshed May 2016 with both current and predictive scores reduced from 8 to 6 due to implementation of additional measures.</p>		

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 18	<p>Standards in Public Life</p> <p>Failure of corporate governance or to meet standards in public life.</p> <p>Failure of the Council's corporate governance or of officials or members to meet standards in public life could result in reputational damage.</p>	<p>The main internal controls are the Council's Standing Orders, Scheme of Administration, Scheme of Delegation and Financial Regulations.</p> <p>Standing Orders (the Schemes of Administration and Scheme of Delegation) were extensively revised and approved by Council in August 2013 and further revised on a regular basis since.</p> <p>Councillors, officials and employees conduct is governed by Codes of Conduct. The Standards Commission is responsible for encouraging high standards of behavior by Councillors and will adjudicate where there are allegations that Councillors have breached the Code of Conduct.</p> <p>The Council's Monitoring Officer, Depute Monitoring Officers, legal advisers and the Team Manager, Democratic and Licensing provide advice as required. Internal Audit conducted a review of the process for Councillors' Registers of Interests and Declarations of Gifts and Hospitality and a report was submitted to the Audit & Governance committee in March 2015 for which the recommendations were implemented.</p> <p>A programme of briefings for Councillors established, as well as Ad Hoc briefings, with events currently scheduled every month during the committee session.</p> <p>ELC is developing links with the Local Area Network of audit and inspection agencies and its Auditors.</p> <p>A comprehensive induction programme for Councillors was approved by Council in February 2017 and commenced immediately following the local government election in May 2017. Training continues to take place as required to ensure understanding of the importance of standards in public life including a specific session on the Councillors' Code of Conduct, and it was also referred to in several other sessions. Councillors are provided with a copy of the Code and the accompanying guidance and are provided with copies of any updates as those are issued.</p> <p>Councillors have an ongoing opportunity to participate in a CPD programme, which is currently being developed in conjunction with the Council's Organisational Development Team. This will be based on the offering available from the Improvement Service and the IS have offered to input into the final product. Councillors have an ongoing opportunity to attend Master classes run by the Improvement Service.</p> <p>A six monthly reminder is issued to Councillors regarding updating their Register of Interests and Declarations of Gifts and Hospitality.</p> <p>A 100-day review took place with our Elected Members between August and November 2017. This was carried out by way of face-to-face meetings with Elected Members and covered the Elected Member Induction Programme, the Councillors' Code of Conduct, PA support, office accommodation, Access to Council officers, committee papers, surgeries, and further training and development.</p>	3	2	6	<p>Induction training has been arranged for the new Councillor for the Haddington ward who is to be elected as a result of a by-election on 9 May 2019.</p> <p>A survey of all Councillors is to be carried out in May 2019 establishing their views as to the training and development provided and to identify future needs.</p> <p>Work is to be undertaken on developing a code of conduct for all employees on identifying, registering and handing conflicts of interest.</p>	3	2	6	Service manager – People and Governance and Service Manager – Corporate Policy	<p>June 2019</p> <p>June 2019</p> <p>December 2019</p>	<p>Risk reviewed May 2019 with no change to assessment of risk scores.</p> <p>Risk further reviewed and updated July 2017 with both current and predictive risk scores increased to 6 due to the number of newly elected Councillors.</p>

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
ELC CR 19	<p>Development Plan</p> <p>Failure to maintain up-to-date Strategic and Local Development Plans could result in an out of date planning strategy and policy context for planning decisions in East Lothian and lead to a shortfall in the effective 5 year housing land supply. This could prevent us from meeting the needs of our growing population and undermine our ability to defend local planning decisions due to planning by appeal. This could lead to unplanned development at odds with the Council's planning strategy for East Lothian, and consequent reputational damage. It could also contribute towards the Council not being able to achieve its Council Plan objectives – Growing our Economy and Growing our Communities – and related Single Outcome Agreement objectives.</p> <p>The Local Development Plan is also required to support and guide the provision of infrastructure required to meet the needs of our growing population and growing economy.</p>	<p>Finalisation and adoption of the proposed Local Development Plan is part of a Planning Business Plan objective (ongoing review). Details are set out in the Local Development Plan Scheme with timescales (to be reviewed by April 2019 then annually).</p> <p>Detailed timeline drawn up for LDP production, examination and adoption – LDP adopted September 2018 following approval by Scottish Ministers.</p> <p>ELC and SESplan Development Plan Schemes commit to a programme of Development Plan Scheme review (reviewed annually).</p> <p>SESplan Joint Committee, Project Board and Steering Group guide joint authority preparation of Strategic Development Plan for Edinburgh and SE Scotland.SDP2 awaiting approval by Scottish Ministers.</p> <p>Community Planning Partnership liaison and involvement through East Lothian Strategic Land Use Planning Group.</p> <p>2018 Housing Land Audit agreed with development industry as basis of 5.05 year effective housing land supply, backing up plan process.</p> <p>SG and SPG mostly approved/adopted, including Developer Contributions Framework. Remaining 2 items to go to June Council.</p> <p>Preliminary work for LDP2 based on current proposed SDP2 ongoing. Initial Member, CMT and SMT engagement made. Public engagement being planned. Awaiting confirmation/amendment to SDP2 by Ministers for clarity.</p>	1	2	2		1	2	2	Head of Development	<p>Risk Refreshed by Service Manager – Planning April 2019 with Current and predictive risk scores reduced from 4 to 2.</p> <p>Risk Refreshed by Head of Development and Service Manager – Planning July 2018. Current risk score reduced from 8 to 4 and predictive risk from 8 to 4 due to implemented measures over past 12 months.</p> <p>Risk Refreshed by Head of Development and Service Manager – Planning March 2017. Current risk score reduced from 12 to 8 and Predictive risk reduced from 8 to 6 due to implemented measures over past 12 months.</p> <p>Risk Refreshed by Head of Development and Service Manager – Planning February 2016. Current risk score reduced from 15 to 12.</p>	

Original date produced (Version 1)	13 April 2011		
File Name	East Lothian Council Corporate Risk Register		
Original Author(s)	Scott Kennedy, Risk Officer		
Current Revision Author(s)	Scott Kennedy, Risk Officer		
Version	Date	Author(s)	Notes on Revisions
1	13/04/2011	S Kennedy	Original Version
2	05/12/2011	S Kennedy	2 nd version made available to BoD for review
3	23/08/2012	S Kennedy	Draft version updated
4	15/11/2012	S Kennedy	Updated following BoD meeting and Strategy update
5	07/12/2012	S Kennedy	Updates received from services following BoD recommendations
6	18/12/2012	S Kennedy	Updated with additional risks.

Risk Score	Overall Rating
20-25	Very High
10-19	High
5-9	Medium
1-4	Low

Risk Ref.	Risk Description	Existing Risk Control Measures	Assessment of Current Residual Risk			Planned Risk Control Measures	Assessment of Predictive Risk			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Total		Likelihood	Impact	Total			
			L	I	L x I		L	I	L x I			
7	04/01/2013	S Kennedy	Updated following consideration by CMT									
8	09/05/2013	S Kennedy	EP & BC Risks updated									
9	31/07/2013	S Kennedy	Data Protection Risk Added									
10	01/11/2013	S Kennedy	Welfare Reform Risk updated (no change to score)									
11	04/03/2014	S Kennedy	New Corporate Risks added on Safe Driving at Work, VERS, Fuel Shortages and Lone Working									
12	March/April 2014	S Kennedy	All risks reviewed and amended where required.									
13	11/04/2014	S Kennedy	New Corporate Risk on Integration of Health & Social Care and Adult Wellbeing added.									
14	25/04/2014	S Kennedy	Risks amended following consultation with CMT.									
15	01/05/2014	P Vestri	Amendments following review of latest draft by Chief Executive and Depute Chief Executives.									
16	27/05/2014	S Kennedy	Amendments following consultation with CMT/Risk Authors. Development Plan and Public Protection risks added.									
17	23/12/2014	S Kennedy	Climate Change Risk refreshed as well as adding column for date Planned Risk Measures will be completed by.									
18	February-April 2015	S Kennedy	All Risks Refreshed by authors and reviewed by CMT									
19	December 2015	S Kennedy	All Risks Refreshed by authors and reviewed by CMT									
20	January 2016	S Kennedy	Carbon Management, Flooding and Equality Risks refreshed.									
21	April – May 2016	S Kennedy	CMT met to amend. Further update of all risks including Duty of Care & Public Protection Risks combined.									
22	March – May 2017	S Kennedy	New risk created on Limitation and all other risks reviewed.									
23	August 2017	S Kennedy	All risks reviewed and updated where necessary by Risk Authors/Owners and Heads of Service.									
24	June-August 2018	S Kennedy	All risks reviewed and updated where necessary by Risk Authors/Owners and Heads of Service. New risk moved from Education Risk Register on Expansion of Early Learning and Childcare to 1140 hours.									
25	29 August 2018	S Kennedy	Register fully reviewed and updated by Board of Directors									
26	29 November 2018	S Kennedy	Expansion of Early Learning and Childcare to 1140 hours reviewed and updated.									
27	12 December 2018	S Kennedy	Welfare Reform Risk Update by Service Managers									
28	April-May 2019	S Kennedy	All risks updated by Risk Owners.									
29	May 2019	S Kennedy	All risks reviewed by CMT and Corporate Risk Group and risk on Stability of the Council Plan removed.									

Appendix 2
East Lothian Council
Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	Will undoubtedly happen, possibly frequently >90% chance
Likely	4	Will probably happen, but not a persistent issue >70%
Possible	3	May happen occasionally 30-70%
Unlikely	2	Not expected to happen but is possible <30%
Remote	1	Very unlikely this will ever happen <10%

Impact Description

Impact of Occurrence	Score	Description						
		Impact on Service Objectives	Financial Impact	Impact on People	Impact on Time	Impact on Reputation	Impact on Property	Business Continuity
Catastrophic	5	Unable to function, inability to fulfil obligations.	Severe financial loss (>5% budget)	Single or Multiple fatality within council control, fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved.	Loss of building, rebuilding required, temporary accommodation required.	Complete inability to provide service/system, prolonged downtime with no back-up in place.
Major	4	Significant impact on service provision.	Major financial loss (3-5% budget)	Number of extensive injuries (major permanent harm) to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Major adverse publicity (regional/national), major loss of confidence.	Significant part of building unusable for prolonged period of time, alternative accommodation required.	Significant impact on service provision or loss of service.
Moderate	3	Service objectives partially achievable.	Significant financial loss (2-3% budget)	Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Some adverse local publicity, limited damage with legal implications, elected members become involved.	Loss of use of building for medium period, no alternative in place.	Security support and performance of service/system borderline.
Minor	2	Minor impact on service objectives.	Moderate financial loss (0.5-2% budget)	Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required).	Some - between 2 and 6 months to recover.	Some public embarrassment, no damage to reputation or service users.	Marginal damage covered by insurance.	Reasonable back-up arrangements, minor downtime of service/system.
None	1	Minimal impact, no service disruption.	Minimal loss (0.5% budget)	Minor injury to employee, service user or public.	Minimal - Up to 2 months to recover.	Minor impact to council reputation of no interest to the press (Internal).	Minor disruption to building, alternative arrangements in place.	No operational difficulties, back-up support in place and security level acceptable.

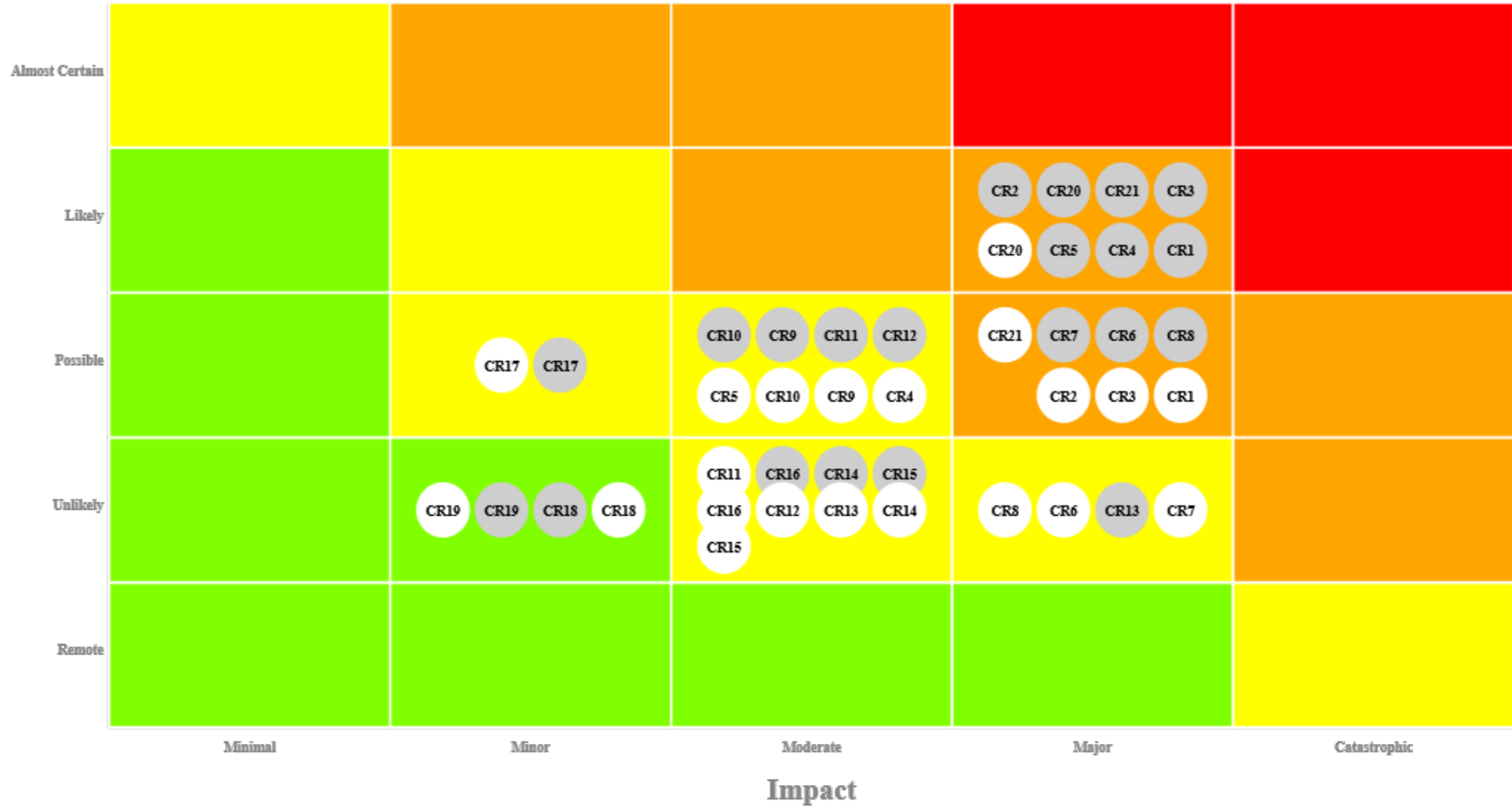
Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
------	-----	--------	------	-----------



Likelihood



06-Jun-2019

Risk Ref	Risk Description (Threat/Opportunity to achievement of business objective)	Planned Risk Control Measures	Responsible person	Secondary Responsible Persons	Risk Control Measures In Place	Current			Revised		
						Impact	Likelihood	Risk Rating	Impact	Likelihood	Risk Rating
CR20	<p>Brexit - The uncertainty around Brexit (and the resulting 'deal' or 'no deal') will have an impact on the local economy, local funding and the delivery and funding of council services. With a fast-changing political environment, the wider ramifications of the decision to leave the European Union are yet to be fully identified. Whilst there may be some opportunities, there is also considerable uncertainty that affects areas of the economy, financial markets, interest and exchange rates, construction, grants from the EU, investment and other non-financial aspects.</p> <p>We may see a gradual slow down during period of uncertainty. A potential council impact (+/-) on:</p> <ul style="list-style-type: none"> • Inward investment and positive awareness of the UK; • EU funding for council-led business and training projects is known with the timescale permitted for delivery, however the university, farm businesses and other players will be 	<ul style="list-style-type: none"> - CMT will agree a horizon-scanning and assessment system to identify, assess and respond to emerging risks. - CMT will rehearse and adopt external communications, multi-agency decision-making and response arrangements. - CMT will rehearse business continuity collaboration arrangements with local partners and neighbouring Local Authorities. - CMT will rehearse internal communications, decision-making and response arrangements. - CMT will rehearse internal essential services business continuity arrangements. - Key milestones include supporting and attending COSLA, RRP and national Brexit preparedness sessions. Sharing best practice with other local authorities. - We continue to seek clarity over how the Government plans to address the potential EU funding gap, retain highly skilled migrants and support trade. 	Derek Oliver		<ul style="list-style-type: none"> - "No-deal and EU-exit" contingency planning is a standing item on the CMT agendas. - "No-deal and EU-exit" has been acknowledged as a Corporate Risk. - A Lothian & Borders Local Resilience Forum was in place, including the ELC EP, Risk & Resilience Manager, engaging and liaising with partner agencies through the East Regional Resilience Partnership (RRP) and Lothian & Borders Local Resilience Partnership (LRP). This ensures partnership working processes are in place and understood, should such processes be invoked. - CMT has considered a detailed Brexit Preparedness Report: Position Statement, presented on 7th March 2019. The Position Statement was reviewed on a fortnightly basis to 24th April, at which point the Brexit Working Group agreed to reconvene as directed and determined by local and national requirements leading to 31st October EU-Exit. - CMT has established an appropriately represented corporate level "no-deal exit and EU-exit preparedness group" (Brexit Working Group) chaired by the appointed Strategic Lead Officer. - Economic Development has signposted all businesses to the Scottish Enterprise website 	Major	Likely	High (16)	Major	Likely	High (16)

Current Assessment

Overall Rating



Likelihood	Almost Certain	0	0	0	0	0
	Likely	0	0	0	7	0
	Possible	0	1	4	3	0
	Unlikely	0	2	3	1	0
	Remote	0	0	0	0	0
		Minimal	Minor	Moderate	Major	Catastrophic

Impact

Current Assessment

Overall Rating



Likelihood	Almost Certain	0	0	0	0	0
	Likely	0	0	0	1	0
	Possible	0	1	4	4	0
	Unlikely	0	2	6	3	0
	Remote	0	0	0	0	0
		Minimal	Minor	Moderate	Major	Catastrophic

Impact



REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2019

BY: Depute Chief Executive (Partnerships and Community Services)

SUBJECT: Local Government in Scotland: Challenges and Performance 2019 (Accounts Commission, March 2019)

10

1 PURPOSE

- 1.1 To review East Lothian Council's position in relation to the findings of the Accounts Commission report, *'Local Government in Scotland: Challenges and Performance 2019'*.

2 RECOMMENDATIONS

- 2.1 The Committee should:
- Note the position of East Lothian Council in regard to the key messages and recommendations in the Accounts Commission report, Local Government in Scotland: Challenges and Performance 2019;
 - use the recommendations in the Accounts Commission report and the questions it poses for elected members to identify any further information or scrutiny activity it would wish to have reported back to future meetings of the Audit and Governance Committee.

3 BACKGROUND

- 3.1 Each year the Accounts Commission produces an overview of issues that have arisen from the local authority audits conducted by Audit Scotland. The report is in two parts. The first one was a financial overview which was published in November 2018 (reported to Audit & Governance Committee, 19th Feb 2019). The second report is, 'Challenges and Performance 2019' was published in March 2019 (Appendix 1). The report is meant to assist

councils in identifying and planning for pressures that they may face in the coming year.

3.2 The report which is primarily for councillors and senior council officers as a source of information and to support them in their complex and demanding roles covers three areas:

- The context for councils – the challenges councils face
- How councils are responding
- Council performance and the impact on communities.

Context – the challenges councils face

3.3 The report has three key messages relating to the challenges Scottish councils face:

- Councils face an increasingly complex, changing and uncertain environment which places different demands and expectations on them
- Public sector reforms require councils to collaborate with partners, with the third sector and with communities, to think differently about how they deliver and fund services and these new ways of working can lead to increasingly complicated lines of accountability
- Scottish Government revenue funding to councils has reduced in real terms between 2012/14 and 2019/20 while national policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility that councils have for deciding how they plan to use funding. This comes at the same as demand for council services are increasing from a changing population profile.

3.4 The 2019 report includes a diagram (Exhibit 1; page 11) which lists 17 current major policy and legislative changes affecting local government around four headings: Improving Outcomes; Community Empowerment; Regional Economy; and, Wider Factors. Comparison with the same exhibit used in last year's report suggests that the context/ landscape is getting even more complex, challenging and uncertain.

3.5 The report highlights that the complex picture means that:

- Councillors and senior officers need to have a wide and current understanding of policy issues and how these relate to local priorities and needs, to plan and make complex decisions locally. This can be challenging where capacity is already stretched.
- It is more important than ever for councils to plan for different scenarios in terms of funding and demand for services. This includes finding different ways to deliver services efficiently and effectively.

- There is an increasing need for effective partnership working with other public, private and third-sector organisations and their communities.
- 3.6 This third point is elaborated on in the second key message relating to the challenges faced by councils and elected members. The key point made in the report on this challenge is that *Councils cannot deliver their priorities alone*. An increasing challenge faced by councils is that they *face a difficult balance of a more towards more regional working and collaboration, and a need to maintain a focus on local priorities, local decision-making and local accountability*.
- 3.7 City Region Deals are highlighted in the report as a major driver towards regional collaboration but education regional collaboration and the push towards shared services could also be added as examples of councils having to work collaboratively at a regional level. At the same time the Community Empowerment Act and the Local Governance Review are amongst the drivers behind greater emphasis on increasing community involvement in, and influence over, decision making. The opposing tendencies contribute to the increasing complexity of local government in general and accountability, in particular.
- 3.8 In relation to the third key message relating to funding the report states that Scottish Government's funding to councils has reduced in real terms since 2013/14 but increased slightly between 2018/19 and 2019/20. Despite a 1.1% increase in cash terms funding between 2017/18 and 2018/19, funding between 2013/14 and 2019/20 has fallen 6% in real terms.
- 3.9 The report also highlights that national policy initiatives make up an increasing amount of council budgets. This is funding directed towards supporting Scottish Government initiatives such as the Pupil Equity Fund. These funds account for just under £450m (5%) of the Scottish Government's funding for local government in 2019/20 total revenue funding.
- 3.10 When these commitments are added to other areas of spending over which councils have no or very limited control such as Education and Social Work, councils are faced with having to make larger reductions to other services such as planning and development, cultural and related services and roads and transport. The report states that *'councils cannot be expected to deliver continuous improvement across all services in the current financial climate. There is a risk that these budget reductions will have an impact on the sustainability of services as they are currently delivered.'*
- 3.11 In addition to the pressures from reducing funding councils are also facing pressure from population change which is increasing demand for some services and from increasing levels of poverty. The report highlights the demographic pressure faced by East Lothian Council – our under 15-year old population is set to increase three times faster than the Scottish average between 2016-2026. This increase means the council will need

to fund, the capital cost of building new primary schools and a new secondary school; the costs of developing the roads and utilities to these developments; and, the day-to-day cost of funding and staffing these schools.

- 3.12 Exhibit 4 (page 19) provides a useful summary of the level of reduction in core funding faced by councils and the pressures from population growth and increasing poverty/ deprivation.

How councils are responding

- 3.13 Audit Scotland's report states that: '*Effectively led councils are clear about how these issues impact locally. They also recognise that the financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough and the redesign of service delivery is needed.*' Part 2 of the report focuses on seven main considerations for councils. These are summarised below along with a short commentary of how East Lothian Council is responding to these issues.

Transformational change requires strategic leadership, planning and governance

- 3.14 The council has embarked on an ambitious Transformation Programme which includes reviewing services and exploring alternative service delivery models and new ways of working, supporting the Council's Digital Strategy, increasing income from existing charges and considering new charges for discretionary services. Delivery of the programme is being supported by a transformation team including a Programme Manager, Project Managers, a Commercial Development Officer and support staff, mainly funded from the Cost Reduction Fund.
- 3.15 The projects which form part of the Programme have well established project management and governance arrangements which ensure projects are properly scoped and resourced, progress is scrutinised and monitored, risks are considered and mitigation action, if required, is taken timeously, and, benefits realisation is evaluated and tracked against targets and projections.

Digital approaches can be used to drive improvement

- 3.16 The development of digital services is a key goal of the 2017-22 Council Plan and forms a major part of the transformation programme. Significant developments in the last 12 months have included the development of on-line school payments; the introduction of a new HR/ Payroll system which will provide a full on-line, self-service facility for staff to access and update their personnel and payroll records; and, a new online Customer Portal System which will begin to be rolled out in June 2019.

Good progress is being made with medium-term financial planning

- 3.17 The council has a five year financial strategy, three-year General Services revenue budget and five-year capital programme, along with five-year HRA revenue budget and capital programme. Longer term capital plan modelling based on the implications of the projected population growth, in particular on the school estate, has also been carried out.

Councils are under pressure to find different ways to increase income

- 3.18 The council's 2019/20 budget included the maximum increase in Council Tax allowed by the Scottish Government. In addition, the council has looked at other ways to increase its income from reviews of existing charges and new charges for discretionary services. Whilst some new charges have been adopted by the council, it has not introduced charges for some services which other councils do levy charges, such as garden waste and bulky uplifts. In line with the council's Charging Policy any proposals to introduce new charges will need to be accompanied by a business case, including options appraisal and impact assessment and be approved by Cabinet.

Good partnership working is critical if councils are to deliver priorities and improved outcomes for communities

- 3.19 The council has a good track record of partnership working, which was recognised in the Best Value Assurance Report it received from Audit Scotland in October 2018 which stated:

'The council has strong links with its partners and works well with local communities.'

'East Lothian Partnership is working to a shared vision and there are good relations with partners.'

'The health and social care partnership is well established and there is evidence of good cooperation between the council and the NHS Board.'

- 3.20 The council has participated fully in the City Region Deal partnership and is also fully engaged with the regional education collaborative. East Lothian's Integration Joint Board is working effectively and sustainable governance and financial arrangements are in place. The council is actively pursuing options for further collaborative working with partners such as Police Scotland (e.g. the proposals to co-locate police into John Muir House), NHS Lothian (e.g. developing proposals for the future development of the former Hermandflat hospital site in Haddington) and other councils (e.g. providing services through the Contact Centre for Midlothian and Scottish Borders Council).

The Community Empowerment Act fundamentally changes the relationship between council and communities

- 3.21 The council has engaged positively with its communities for many years and has proactively sought to devolve decision-making and influence over services through initiatives such as the providing funding for Community Councils through the Local Priorities Scheme; developing a wide range of

opportunities for tenants to play an active role in scrutinising and influencing community housing services through Tenants and Residents Associations, the East Lothian Tenants and Residents Panel and the Local Initiatives Scheme; and the development of Area Partnerships with responsibility for developing Area Plans and dispersing or influencing the allocation of almost £2m of funding. This devolution of funding to the community can be described as mainstreaming Participatory Budgeting (PB) and ensures that the council is meeting the commitment to allocate 1% of revenue budgets to PB.

- 3.22 The diverse and wide range of opportunities the Council has developed for communities to participate in and influence decisions have been set out in the Community Participation Opportunities Guide 2018.

Workforce reductions have changed how councils are structured and the skills available, but the quality of workforce planning is inconsistent

- 3.23 One of the issues highlighted in the 2018 Challenges and Performance report that required to be addressed by the council was the lack of a comprehensive Workforce Plan. The council adopted a Workforce Plan in June 2018 with the strategic aim of ensuring the council has the right capacity, skills and leadership in its workforce. A detailed three-year implementation plan was adopted by the Council in August 2018.

- 3.24 A Management and Leadership Development programme has been put in place for managers and the training and development needs of all staff is captured through Performance Review and Development exercises carried out with all staff. The morale and wellbeing of staff is a key concern of the council and a major element of the Workforce Plan and significant activity around addressing the mental wellbeing of staff has been undertaken over the last year.

- 3.25 A survey of members to ascertain their training and development needs has recently been carried out and the results of the survey will be used to develop a training and development programme for all councillors and/ or tailored programme to meet specific individual training needs

Council performance and the impact on communities

- 3.26 The third and final part of the Audit Scotland report focuses on how the challenges outlined in Part 1 are impacting on council performance and on communities. It makes the point that *'Councils understand the challenges facing their communities, but resources need to be better linked to their vision and priorities.'* It goes on to suggest that *'Good performance management should link to the Council's strategic priorities and be able to demonstrate a link between spend and outcomes.'* Further to this, councils need to show how they are delivering against their high-level outcomes.

- 3.27 One of the findings of the council's Best Value Assurance Report was that although the council publishes a balanced picture in its public performance reporting an assessment against delivery of its outcomes is less clear. The

council has now addressed this criticism by developing a set of 50 strategic high-level performance indicators mapped against the Council Plan objectives, strategic goals and key priorities. This set of Top 50 indicators will be reported on annually and will allow the council to assess progress being made against its high-level outcomes.

3.28 The report includes detailed information on how councils are performing against national indicators from the National Performance Framework or the Local Government Benchmarking Framework (LGBF). In summary Audit Scotland concludes that:

- most national indicators have improved or been maintained but performance varies between councils
- since 2010/11 performance against most LGBF indicators has been maintained or improved
- education performance has improved since 2011, but progress slowed in 2017/18 and the attainment gap between the most and least deprived pupils widened in the last tea.

3.29 Exhibits 6, 7, 8 and 9 provide a large amount of detailed analysis and comparison against a wide range of indicators, mainly using LGBF data. Exhibit 10 and the para 108 – 111 provide detailed analysis of difference in attainment in three councils, which concludes that improvements in attainment cannot be explained simply by the amount spent on education nor levels of deprivation.

3.30 The council's Best Value Assurance Report provided assurance that '*performance in East Lothian Council compares favourably to other councils in most service areas and is improving.*' The council shows improving trends in six of the eight LGBF indicators highlighted in the Performance and Challenge. However, further work will be carried when the latest LGBF data is available in the autumn to assess East Lothian council's performance.

3.31 The report concludes that '*There is evidence that spending reductions and increasing demand are impacting on some services.*' It looks specifically at social care services which continue to struggle to meet demand and where satisfaction with services appears to be dropping.

3.32 Finally, the report highlights that some councils are not meeting their statutory duties in terms of homelessness; the number of homelessness applications across Scotland increased for the first time in nine years in 2017/18; and, there has been an increase in the use of temporary accommodation in recent years.

Recommendations

3.33 The Accounts Commission has made six recommendations based on the report's findings and conclusion. To make effective progress in managing funding gaps and continue to improve outcomes for their communities,

councils need to be open to transformational change and implement new ways of working. To make effective progress councils should:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands
- undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands
- continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change
- improve data to:
 - help inform the difficult decisions councils have to make
 - support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities
- ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data
- be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.

3.34 The findings of the council's Best Value Assurance Report demonstrated that it can respond positively to each of these recommendations. The council's leadership, governance, financial planning, transformation, workforce planning, performance and continuous improvement arrangements and frameworks mean it is well placed to meet the challenges it faces in managing funding gaps and continuing to improve outcomes for its citizens and communities.

Scrutiny tool checklist for councillors

3.35 Audit Scotland has produced a Scrutiny tool checklist for councillors to accompany the report. This lists just over 40 questions which members can use to assess how well informed they are about key issues such as factors affecting demand for services and council funding, governance and accountability, and community empowerment. The checklist helped to inform the elected members' training and development survey that has just been carried out which will inform the development of the e members' training and development programme.

4 POLICY IMPLICATIONS

- 4.1 Councils are required under the Local Government in Scotland Act 2003 to achieve Best Value in regard to economy, efficiency, effectiveness, equal opportunities and sustainable development. 'Local Government in Scotland: Challenges and Performance 2019' will assist the Council to recognise the challenges that it faces in achieving Best Value in the future.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 This report is not applicable to the wellbeing of equalities groups and an Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none.
6.2 Personnel – none.
6.3 Other – none.

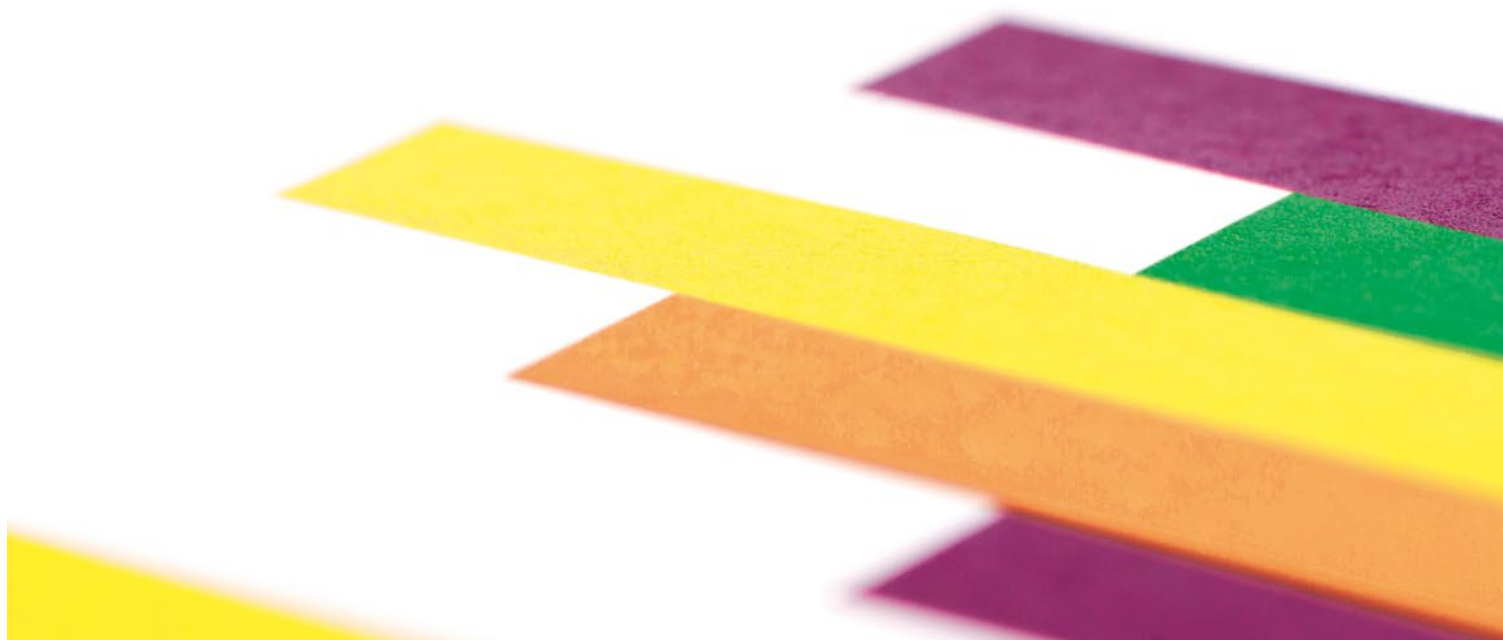
7 BACKGROUND PAPERS

- 7.1 'Local Government in Scotland: Challenges and Performance 2019', Accounts Commission, March 2019

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Service Manager, Corporate Policy & Improvement
CONTACT INFO	pvestri@eastlothian.gov.uk
DATE	31 May 2019

Local government in Scotland

Challenges and performance 2019



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
March 2019

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission 

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

Contents



Chair's introduction	4
Summary	6
Part 1. The context for councils	10
Part 2. How councils are responding	21
Part 3. Council performance and the impact on communities	34
Endnotes	47

Links

 PDF download

 Web link

 Information box

Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Audit team

The core audit team consisted of: Carol Calder, Kathrine Sibbald, Ashleigh Madjitey and Ruth Azzam, with support from other colleagues and under the direction of Claire Sweeney.



These question mark icons appear throughout this report and represent questions for councillors.

Chair's introduction




Councils have an increasingly challenging role. They need to respond to the changing needs of their local population. At the same time, they have a pivotal role in helping to deliver a range of key national priorities for Scotland. This is at a time when the outlook is for finances to tighten further and for demand for services to continue to increase, as populations change and there are more people living in poverty.

The important role councils play is clear, but there are many uncertainties, which makes planning for the future more challenging as it becomes more critical than ever. The UK's withdrawal from the EU is imminent as I write this introduction, but the process and implications remain unclear. The medium to longer-term impact of changes to the Scottish Government's financial powers and the details surrounding the local governance review are also still unknown.

However, we find that councils across Scotland have continued to work hard to maintain services to their communities, despite the increasing challenges and pressures. They have stepped up and have continued to improve how they use their resources. But, in many councils the change and improvement work has focused on efficiencies. To address the growing gap between demand and resources, more fundamental, transformational changes are needed in service provision, and the pace of change needs to improve in some councils. Transformational change is about more than just efficiency. There needs to be a focus on how services are best delivered to communities and, in particular, how councils protect and empower the most vulnerable members of those communities.

Objective and relevant data are essential. Nationally, across councils, data are fundamental for the assessment of performance, benchmarking and improvement. Locally, data should support the redesign and change of processes and services. It is important for councils to have good-quality workforce data to inform organisation-wide workforce planning that supports the shape of future operations.

The pressure on council budgets has led to the exploration of alternative approaches to increasing income such as extending fees and charging schemes and the options for introducing local taxes. This is a development of interest to the Commission that we will monitor and consider in future overview reports.

We published an update report [Health and social care integration](#)  in November 2018, which found that although integration authorities have made some progress they must overcome significant barriers to speed up change. The Commission will continue to have a close interest in the progress of integration authorities and in their financial management.

I hope you find this overview useful and I would welcome any feedback you may have.

Graham Sharp
Chair of the Accounts Commission

Summary



Key messages

- 1** Councils face an increasingly complex, changing and uncertain environment which places different demands and expectations on them. Councils are also central to delivering many high-level public sector objectives, such as the integration of health and care services and involving citizens more in decisions about public services.
- 2** These reforms require councils to collaborate with partners, with the third sector and with communities, to think differently about how they deliver and fund services. Thinking differently about services is important to meet the growing and changing needs of their communities in the coming years. New ways of working can lead to increasingly complicated lines of accountability.
- 3** Scottish Government revenue funding to councils has reduced in real terms between 2013/14 and 2019/20, while national policy initiatives continue to make up an increasing proportion of council budgets. This reduces the flexibility councils have for deciding how they plan to use funding. At the same time, demands for council services are increasing from a changing population profile. All councils expect an increase in the proportion of people aged over 65 and almost a third of councils expect an increase in the proportion of children under 15.
- 4** Councils have made good progress in developing medium-term financial planning and continue to manage their funding gaps through savings and use of reserves. All councils increased council tax to the maximum three per cent in 2018/19 and many increased their fees and charges to raise income. Some councils are looking at other options to raise income.
- 5** Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning, but the quality of planning is inconsistent across councils. An increasing proportion of the workforce is nearing retirement. If there is insufficient succession planning, skills and knowledge will be lost as these people retire. Recruitment into some service areas is becoming increasingly difficult, but national workforce data is insufficient to clearly understand how individual services areas are affected.

- 6** Despite reducing funding and increasing demands, across local government most performance indicators are improving or being maintained, although some service areas show more strain. There remains performance variation among councils that cannot be readily explained by differences in context or spend. Better use of data and benchmarking could lead to further improvement and efficiencies.
-



Recommendations

While councils have continued to find ways to manage funding gaps and have made good progress with medium-term financial planning, they face an increasingly complex, changing and uncertain time ahead. To continue to improve the outcomes for their communities within this context, councils need to be open to transformational change and implement new ways of working.

To make effective progress councils should:

- assure themselves that they have adequate leadership and management capacity in place. This should include development arrangements that prepare and support councillors and senior managers to respond to the challenging and changing local and national demands
 - undertake long-term financial planning to set out how they will deliver national policy commitments, while continuing to sustain local services with reducing budgets and increasing demands
 - continue to seek and implement innovative ways of working and collaborate with communities, partners and the third sector to drive transformational change
 - improve data to:
 - help inform the difficult decisions councils have to make
 - support benchmarking, learning and sharing of experience and effective practice with others that will contribute to improving service quality, efficiency and outcomes for communities
 - ensure they have workforce planning that is clear about the workforce needed now and in the future, where the gaps are and what training or other action is needed to fill them. This should be supported by better workforce data
 - be able to demonstrate how spending decisions and priorities have impacted on service delivery and the outcomes of residents, as well as how they are delivering against the national performance framework.
-



About this report

1. This report provides a high-level, independent view of the challenges facing councils in Scotland, how councils are responding to tightening budgets and how this has affected services. It draws on findings from [Local government in Scotland: Financial overview 2017/18](#) , published performance data and local government audit work in 2018. This includes annual audits, Best Value Assurance Reports (BVARs) and national performance audits. All national and individual council audit reports are available on our [website](#) .

2. The report highlights key challenges councils face and looks at some of the main ways councils are responding to increasing demand and reduced funding. Where specific examples of council activities or circumstances are referenced, this is not intended to imply that the named councils are the only ones engaging in these activities or experiencing these circumstances. The report aims to inform the public and its representatives and, in particular, local government councillors and senior council officers to support them in their complex and demanding roles. It covers three areas:

- The current and future challenges facing councils.
- How councils are responding to these challenges.
- The impact on performance in key service areas and public satisfaction.

3. To help councillors, we have produced the following supplements to accompany this report:

- [A scrutiny tool](#)  with examples of questions that councillors could ask to help them understand their council's position, scrutinise performance and assist in making difficult decisions. Councillors should feel they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their role within the council.
- [An online tool](#)  that shows how councils are performing. It is designed to allow councillors, officers and members of the public to better understand how their council is performing compared to others.

4. We draw on a range of sources of evidence for this report. Financial information is taken from the Local Government Financial Circulars,¹ Local Government finance statistics,² the Scottish Government's provisional outturn and budget estimates³ and councils' annual accounts. Performance information is gathered from the Local Government Benchmarking Framework (LGBF),⁴ the National Performance Framework (NPF) indicators⁵ and relevant reports from other scrutiny bodies, such as Education Scotland and the Care Inspectorate.

5. To make financial information clear and comparable in the report we:

- Refer to real terms changes, this means we have adjusted the figures to take account of inflation. Our analysis of local government funding adjusts figures into 2018/19 prices to reflect the current year.

- Look at historical trends in financial data using data from 2013/14 where possible. National police and fire services were established in 2013 and so were not included in local government accounts from 2013/14. It is not always possible to use 2013/14 as some information is only available for more recent years.
- Adjusted figures to 2017/18 costs where the report comments on council performance in 2017/18.

Part 1

The context for councils



Councils must respond to an increasingly complex policy agenda while dealing with a high degree of uncertainty

6. Councils have a responsibility to provide a wide range of services to their residents and communities. These include educating children, looking after the elderly, collecting bins, maintaining local roads and ensuring buildings meet safety standards. Councils' work is influenced by the wider economic and political environment, UK and Scottish Government policy and demographics.

7. The context that councils are working in has become characterised by reducing budgets ([paragraphs 25–36](#)), increasing demand for services ([paragraphs 37–41](#)) and the delivery of an increasingly complex range of national policies. Within this challenging context, councils need to continue to work towards local priorities and improving outcomes for their communities. [Exhibit 1 \(page 11\)](#) illustrates some of the major current examples of policy and legislative change.

8. Some policy changes by the UK and Scottish governments increase expectations on councils, many come with financial implications and others increase uncertainty. Significant current issues include:

- Withdrawal from the European Union (EU) – At the time of writing this report, it is planned that on 29 March 2019, the UK will leave the EU. As the process is still on-going there is a high level of uncertainty about what this will mean for councils, which makes planning difficult. This is an area which is fast changing and will have a long-term impact on councils.
- Scotland's new financial and social security powers – The 2012 and 2016 Scotland Acts introduced new financial and social security powers. As a result, Scotland's budget is influenced by Scottish ministers' tax decisions and how well the Scottish economy performs compared to the rest of the UK. This means the Scottish budget is likely to become more variable than it has been through the block grant from the UK Government. In its five-year strategy, the Scottish Government estimates that the Scottish budget could vary by up to six per cent by 2022/23.⁶ If the Scottish budget varies, funding to local government through the Scottish Government settlement will also be affected, in particular, services that are not financially protected as Scottish Government priorities.
- Local governance review – In 2018, the Scottish Government and COSLA launched a review of how powers and responsibilities are shared across national and local government and with communities. The aim of the review is to give local communities more say in how public services in their area are run. The Scottish Government and COSLA plan to continue consulting with stakeholders through 2019 as legislation is developed. It is not yet clear how this review will affect councils and how it will affect partnership working with other organisations such as the NHS.



Have you considered how policy and legislative change will affect how your council operates?

What scenario planning has your council done for events such as EU withdrawal and increasing budget uncertainty?



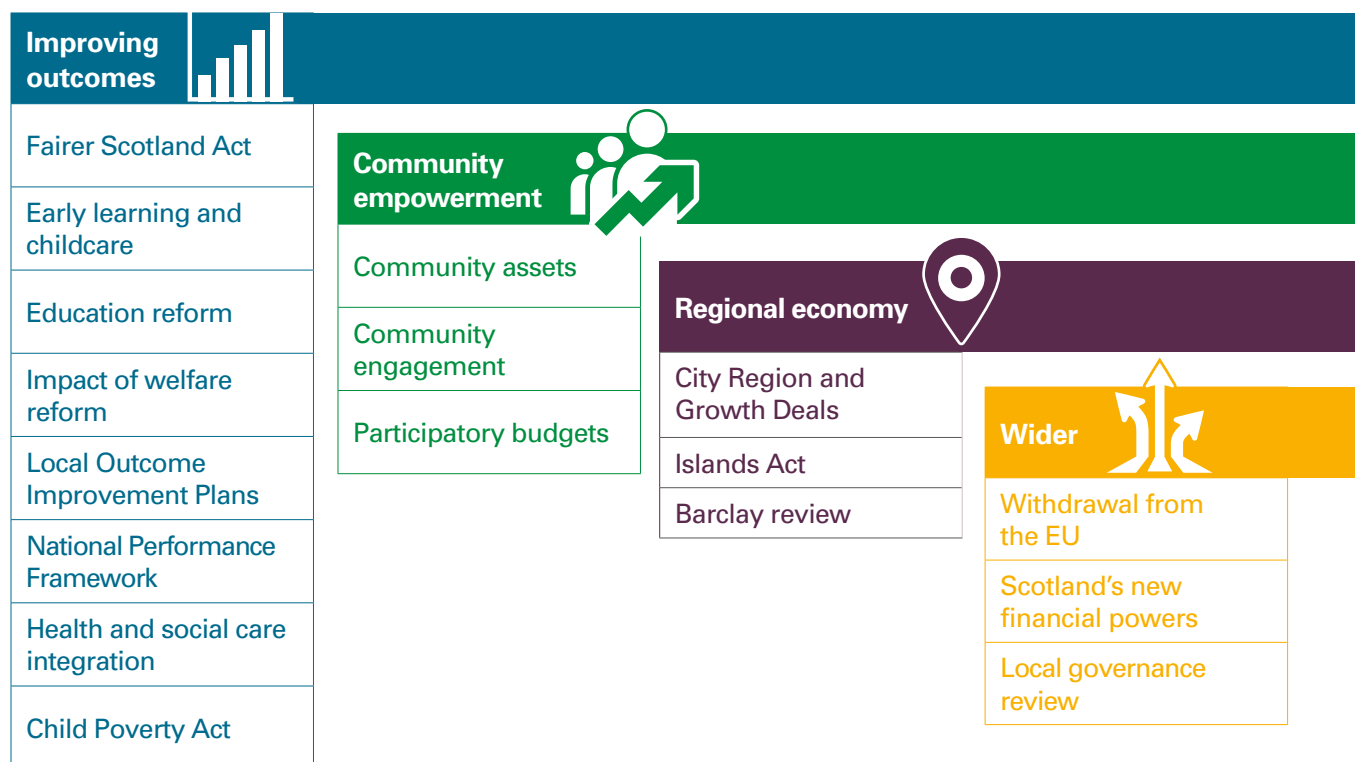
Audit Scotland published a briefing paper on the [EU withdrawal](#)  in October 2018 highlighting the risks including workforce, funding and financial implications.

Audit Scotland has produced a policy briefing on [new financial powers](#) .

Exhibit 1

Current major policy and legislative changes affecting local government

Many of the changes in national policy are interdependent.



Source: Audit Scotland

9. This context makes it difficult for councils to know how they will need to respond in the future and makes longer-term financial planning challenging but even more vital. With increased uncertainty, scenario planning within medium and longer-term planning becomes increasingly important. We will continue to monitor national developments, councils' preparations and their responses to these issues through our audit work.

10. The examples in [Exhibit 1](#) contribute to a complex picture of interacting policy initiatives. Many of the policy changes and initiatives are interdependent and will influence each other. For example, good community empowerment (giving people more influence over how services are planned) should contribute to a range of initiatives and activities that improve outcomes. This complex picture means that:

- Councillors and senior officers need to have a wide and current understanding of policy issues and how these relate to local priorities and needs, to plan and make complex decisions locally. This can be challenging where capacity is already stretched.
- It is more important than ever for councils to plan for different scenarios in terms of funding and demand for services. This includes finding different ways to deliver services efficiently and effectively.
- There is an increasing need for effective partnership working with other public, private and third-sector organisations and their communities.



Are you clear what Community Empowerment involves and what it means for your council?

Improving outcomes is a priority both at a local and national level but reporting arrangements still need to develop

11. In June 2018, the Scottish Government and COSLA launched their revised National Performance Framework (NPF).⁷ All councils signed up to the priorities and vision for Scotland it sets out. There is a strong focus on increased wellbeing, improving outcomes, and economic growth that is sustainable and benefits all sections of society.

12. Councils are key contributors to delivering this vision to improve the outcomes for the people of Scotland, alongside their community planning partners. Councils and their partners need to have regard to the NPF and consider how this framework fits with local decision-making, local outcome priorities and measures. A significant amount of council activity is already focused on themes that reflect those of the NPF. For example, most councils have a strategic focus on reducing inequality within their communities.

13. Councils also have a role in delivering a range of national initiatives that will contribute to the themes of the NPF, such as:

- Delivering 1,140 hours of free childcare to all three-year olds and eligible two-year olds.
- Improving educational outcomes, especially for the most deprived pupils, through the Pupil Equity Fund (extra money to some schools with children from poorer backgrounds) and a commitment to maintain teacher numbers.
- Contributing to the delivery of 50,000 affordable homes including 35,000 for social rent.
- Implementing the requirements of the Fairer Scotland Duty which places a legal responsibility on public bodies in Scotland, including councils, to actively consider how they can reduce inequalities caused by socioeconomic disadvantage, when making strategic decisions.

Although there is ongoing work that will contribute, it is not yet clear what role councils are expected to have in achieving all of the NPF aims, what that would mean for councils' resources or how progress and targets will be monitored and reported on.

Councils cannot deliver their priorities alone

14. Councils have a long history of working closely with other organisations. This includes delivering some services through the third and private sectors and through arm's-length external organisations (ALEOs). This also includes local partnership working with other public sector bodies, such as the NHS, the third sector and other local and national organisations through local partnership activities, including Community Planning Partnerships. Councils need to build on their partnership working experience to respond to the changing context.

15. Councils face a difficult balance of a move towards more regional working and collaboration, and a need to maintain a focus on local priorities, local decision-making and local accountability. Many of the national policies introduced in recent years have involved some elements of working with partners, for example in regional partnerships to deliver economic development or through the health and social care integration joint boards.



Councils and the Scottish Government are focused on improving outcomes across Scotland. Examples of these include improving employment opportunities, reducing anti-social behaviour, giving children the best start in life and helping people live longer and healthier lives.



Do you know if your council's governance and accountability structures are fit for purpose, given increasingly complex ways of working?

If you sit on a board, do you fully understand your responsibilities to that board and the council?

Regional economic developments mean more collaborative and partnership working

16. Councils are pursuing City Region Deals and Growth Deals as ways to drive local economic growth. These involve significant partnership working. The Scottish Government has committed to all areas in Scotland being part of a deal:

- There are four signed City Region Deals in Scotland, involving 17 councils and various other partners.
- A further six councils are developing two City Region Deals.
- The remaining councils are working on alternative investment proposals, such as Growth Deals and Island Deals.

17. Councils work with their partners to propose projects to include in their deal, based on the anticipated benefits to their regional economies. The Scottish and UK governments then decide which projects to fund, typically over a ten to 20-year period. To date, the governments have jointly committed £2.1 billion to the four signed City Region Deals. This is supported by around £1.6 billion committed by councils and other partners. Most of the funding for the four signed deals has been allocated to infrastructure projects, such as roads and buildings. However, deals also include innovation, employability and skills, technology, housing and digital projects such as improved broadband. The Scottish Government expects that councils and partners signed up to deals will form Regional Economic Partnerships to work together on regional issues.

18. We are carrying out an audit of City Region and Growth deals which will be reported towards the end of 2019.

The Community Empowerment Act gives citizens a greater role and this requires a change in how councils operate

19. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their councils and their partners plan services. It is intended that councils will devolve power to communities to make a difference to their local areas through:

- Community asset transfers – where communities can take responsibility for land and buildings.
- Participation requests – where people can ask to take part in decisions about council services.
- Participatory budgeting – where communities can have a say in how the council should spend public money locally.

20. As part of the Act, local authorities also have statutory oversight of community councils and are required by statute to consult community councils about planning applications and licensing matters.

21. Councils are considering how they balance an increase in community involvement with a responsibility and accountability for the sustainability of services delivered to their citizens. Some progress is being made with community empowerment, particularly with ensuring formal arrangements are in place. We consider this further in [Part 2 \(paragraphs 70–78\)](#).



City Region and Growth Deals are long-term agreements between the Scottish Government, the UK Government and councils to improve regional economies.

Accountability is increasingly complex

22. A result of a more collaborative way of working is an increasingly complex governance and accountability landscape. This has implications for councils:

- Councillors now sit on more boards than before. In our May 2018 report, [Councils' use of arm's-length external organisations](#) (ALEOs) we noted that this can make it difficult for small councils to manage potential conflicts of interest.
- There can be disagreements around shared governance arrangements. In our [Health and social care integration update](#) report we noted that a lack of collaborative leadership and different cultures in councils and health boards were affecting the pace of change.
- Councils still have a responsibility to track performance management and provide scrutiny proportionate to the risk involved. The roles of councillors and officers in overseeing collaborative activities needs to be clear.
- There is a duty to ensure that communities are involved in decision-making processes where appropriate. This may be more difficult to manage with more complex governance structures.

23. The discussion and decision-making on some issues is moving further from councils themselves, but councils retain the overall accountability to the local community. It is increasingly important that councillors and officers have an appropriate understanding of their roles and skills, including in governance and leadership, when leading work delivered through complex partnerships, boards and other mechanisms.

24. Formal governance arrangements must be kept current to cover local decisions made about representation, delegation, scope of responsibilities and reporting. Councils, and their partners, should ensure arrangements meet their needs but take care to minimise additional complexity of governance arrangements as new ways of working are adopted.

Scottish Government funding to councils has reduced in real terms since 2013/14 but increased slightly between 2018/19 and 2019/20

25. Councils need to continue to deliver on the increasingly complex range of local and national priorities and initiatives, despite several years of reducing funding and increasing demands on services. Between 2013/14 and 2019/20, total revenue funding has fallen six per cent in real terms. Scottish Government funding to councils is forecast to continue to reduce in the medium-term.

26. Scottish Government funding is the largest source of income for councils. Overall, total revenue funding will increase by 1.1 per cent in real terms between 2018/19 and 2019/20 ([Exhibit 2, page 15](#)).



Governance describes the structures, systems, processes, controls and behaviours for managing activities.

Accountability is the way individuals or groups are held responsible for managing and planning how resources are used and how well performance aims are achieved. For example, chief executives in councils are accountable to councillors.



Revenue funding is funding from Scottish Government to councils for day-to-day services.

Total revenue funding consists of general resource grants, specific revenue grants and non-domestic rates income (NDR).

Core revenue funding includes the general resource grant and non-domestic rate income, and reflects the funding councils have control over to provide services.

Exhibit 2

Funding from Scottish Government to councils

Total revenue funding increased slightly between 2018/19 and 2019/20.

	Cash			Change 17/18 to 18/19		Change 18/19 to 19/20		Change 17/18 to 19/20	
	2017/18 (£m)	2018/19 (£m)	2019/20 (£m)	Cash (%)	Real (%)	Cash (%)	Real (%)	Cash (%)	Real (%)
General Resource Grant	6,808	6,885	6,718	1.1	-0.7	-2.4	-4.2	-1.3	-4.8
Non-domestic rate income	2,666	2,636	2,853	-1.1	-2.9	8.2	6.3	7.0	3.3
Core revenue funding	9,474	9,521	9,571	0.5	-1.3	0.5	-1.2	1.0	-2.5
Specific revenue grants	211	274	508	29.7	27.4	85.5	82.3	140.6	132.2
Total revenue funding	9,685	9,795	10,078	1.1	-0.7	2.9	1.1	4.1	0.4

Note: We have used the most current information available. This means we have used 2019/20 budgeted funding and compared this with 2017/18 and 2018/19 outturn funding. This does not include £355 million allocated in 2018/19 and 2019/20 from the Scottish Government's health budget to Integration Authorities. The additional funding of £34.5 million is included in the 2017/18 cash funding column above.

Source: Audit Scotland; Scottish Budget 2019/20; Local Government finance circulars 04/2018, 08/2018, 02/2019

27. On 28 March 2018, the Scottish Government paid £34.5 million of additional funding to councils. Although this was funded from Scottish Government underspends and paid in 2017/18, it was shown as 2018/19 funding in the local government settlement:

- By recognising the £34.5 million as 2018/19 funding the Scottish Government showed an increase in funding to local government of 1.7 per cent in cash terms and 0.2 per cent in real terms compared to 2017/18.⁸
- In the 2019/20 settlement, the 2018/19 total revenue funding figures no longer include the £34.5 million. The settlement makes no reference to this adjustment or that it is included in 2017/18 funding. Taking this adjustment into account, between 2017/18 and 2018/19, the Scottish Government's total revenue funding to councils increased by 1.1 per cent in cash terms but this was a 0.7 per cent decrease in real terms. Our figures now include the £34.5 million as 2017/18 income.

28. The presentation of the £34.5 million within the annual settlements, and failure to refer to the change or how it has been treated, has made it harder to compare annual changes in local government funding. It is important that funding allocations are transparent and consistently applied across years to allow public bodies to plan and manage their finances effectively and support parliamentary scrutiny.

National policy initiatives make up an increasing amount of council budgets

29. A growing proportion of Scottish Government total revenue funding to councils is protected to support Scottish Government priorities. Our analysis shows that revenue funding to support specific Scottish Government policies has increased from 6.6 per cent of total revenue funding (£643 million) in 2018/19, to 12.1 per cent (£1.2 billion) in 2019/20 ([Exhibit 3, page 17](#)). This is because:

- The Scottish Government funding that must be spent on specific policy initiatives (specific revenue grants), such as the Pupil Equity Fund, now makes up an increasing proportion of total revenue funding. In 2018/19, this represented 2.8 per cent of total revenue funding and in 2019/20 will increase to five per cent.
- Alongside the specific revenue funding set out in the settlement, several of the Scottish Government's policy initiatives have funding attached to them. Although these are not explicitly ring-fenced, if the council does not meet the objectives it may lose out on the funding. These have grown from 3.8 per cent of total revenue funding in 2018/19 to 7.1 per cent in 2019/20 and are predominantly for education and social care services.

If these funding obligations are excluded from councils' total revenue funding, the amount remaining was £9.2 billion in 2018/19 and £8.9 billion in 2019/20. This is a decrease of £449 million in real terms, five per cent of 2019/20 total revenue funding.

30. Councils face other obligations which limit where they can make savings, for example:

- Councils must make repayments on their debt. In 2018/19 they budgeted to spend £1.2 billion, ten per cent of their budgeted net revenue expenditure, on debt repayments.
- In December 2018, COSLA made a pay offer for a three-year settlement for 2018/19 to 2020/21. The offer included an increase of 3.5 per cent for 2018/19 (capped at £80,000) and a three per cent increase in each of the following years. Any settlement that is accepted will need to be funded from revenue funds.
- In February 2019, Glasgow City Council approved the settlement of its equal pay claim. It has agreed to make payments of around £548 million (44 per cent of its 2019/20 revenue funding from Scottish Government and council tax) in 2019/20. Our auditors will monitor this as part of the annual audit work.
- In 2019/20, councils can only reduce their allocations to Integration Authorities by 2.2 per cent compared to 2018/19.

31. Social care and education make up a large proportion of councils' budgets. In 2018/19 councils budgeted to spend £3.3 billion on social care and £5.2 billion on education. This includes £2.4 billion on primary and secondary teachers' salaries. Together, this represents 69 per cent of their net revenue expenditure. Although it is possible for councils to make savings in these areas, national priorities, statutory obligations and demand for services make this challenging.



Net revenue expenditure is financed through Scottish Government funding, council tax and the use of reserves.

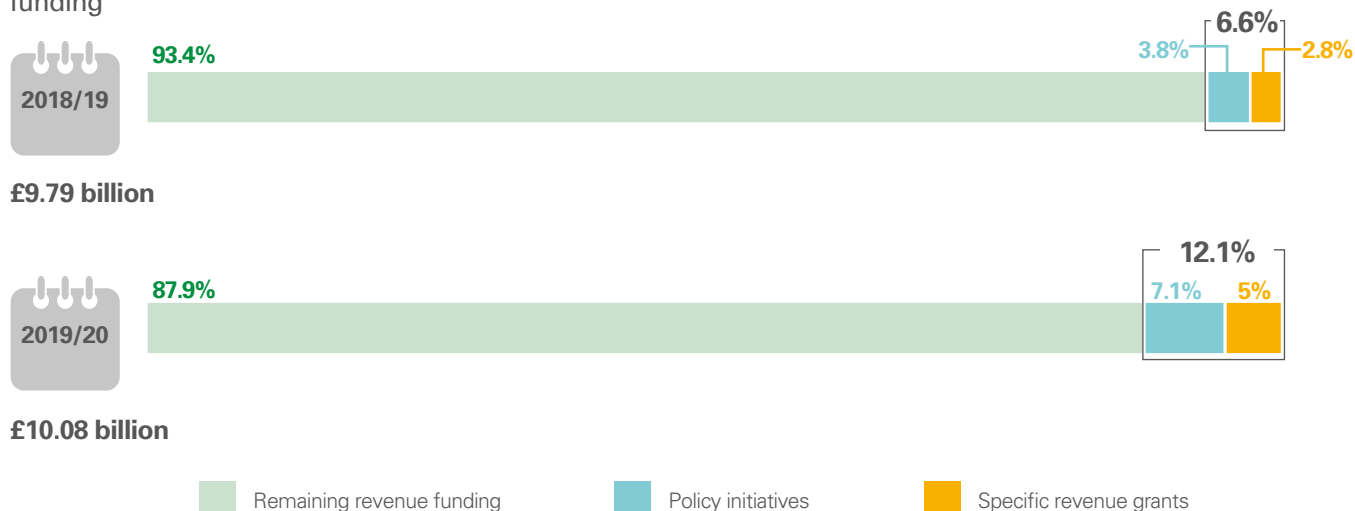
Individual revenue allocation consists of Total revenue funding and assumed council tax contribution.

Exhibit 3

Spend on national priorities in 2018/19 and 2019/20

In 2019/20 councils will spend 12.1 per cent of their revenue funding meeting national priorities.

Total
revenue
funding



Source: Audit Scotland, Local Government finance circular 2/2019, Scottish Budget 2019/20

32. As a result, as we have previously reported, councils have made larger reductions to services other than education and social work. These include economic development, waste management and planning services, which are still important for maintaining the health, safety and wellbeing of residents. Between 2013/14 and 2017/18 spending was reduced as follows:

- planning and development services (28 per cent)
- cultural and related services (14 per cent)
- roads and transport (seven per cent).

33. The Commission recognises that councils cannot be expected to deliver continuous performance improvement across all services in the current financial climate. Councils should set their priorities and invest in line with them. However, it is more difficult to do if increasing amounts of their budgets are protected. There is a risk that these budget reductions will have an impact on the sustainability of services as they are currently delivered. Councils need to continue to seek innovative ways to improve the efficiency of how they deliver all services and be clear about the anticipated impact on performance and service scope.

Some council service areas can expect further funding reductions

34. The Scottish Government's five-year strategy sets out its spending priorities to 2022/23; these are health, police, early learning and childcare, secondary school attainment, higher education and social security. Council services outside

education and early years are not identified as Scottish Government priorities and so will be disproportionately affected by any reductions to the Scottish budget. We calculated that other services outside the Scottish Government's priorities could face between one and 16 per cent real terms reduction to their budgets.⁹

Councils are managing reducing budgets despite local challenges

35. We have previously reported that councils will have their own social and demographic circumstances to manage alongside funding reductions. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services. However, the majority of revenue funding is allocated according to the size of the council's population. Other factors are not always as clearly reflected in the funding allocations ([Exhibit 4, page 19](#)). For example:

- Eilean Siar and Argyll and Bute have seen some of the largest reductions in their funding allocations since 2013/14 due to a declining population but are also two of the most rural areas and have growing elderly populations.
- Some of the councils with high levels of deprivation, including Inverclyde, Glasgow and West Dunbartonshire, have also seen higher than average reductions to their core budgets.

36. Medium and long-term scenario planning will help councils understand what the likely implications are for them which will in turn help inform how best to provide services in the future.

Population change is affecting demand for services.

37. Demographic pressures, including an ageing population continue to increase the demands on council services. Over the period 2016 to 2041, ten councils expect an increase in both the over-65 population and the under-15 population. The Improvement Service estimates that, because of changing demographics, demand for services will increase by 2.6 per cent between 2018/19 and 2019/20. This represents an additional £248 million of spend for councils.¹⁰

38. All councils are projected to have an increase in the number of people over 65 by 2041. West Lothian council has a projected 45 per cent increase in the over-65 age group, the highest in Scotland. An ageing population represents a significant challenge for councils especially in delivering social care services:

- The Institute for Fiscal Studies estimates that over the next 15 years, social care funding in the UK will need to increase by 3.9 per cent in real terms each year to meet the needs of an ageing population and more younger adults living with disabilities.¹¹
- The Scottish Government estimates an additional £683 million will be required by 2023/24 to meet additional social care demand.¹²

39. Ten councils are expected to see an increase in the proportion of people aged under 15 during the period 2016 to 2041, while 22 expect a decrease. For example, East Lothian Council expects its under 15-year-old population to increase three times faster than the Scottish average between 2016 and 2026. This increase means the council will need to fund:



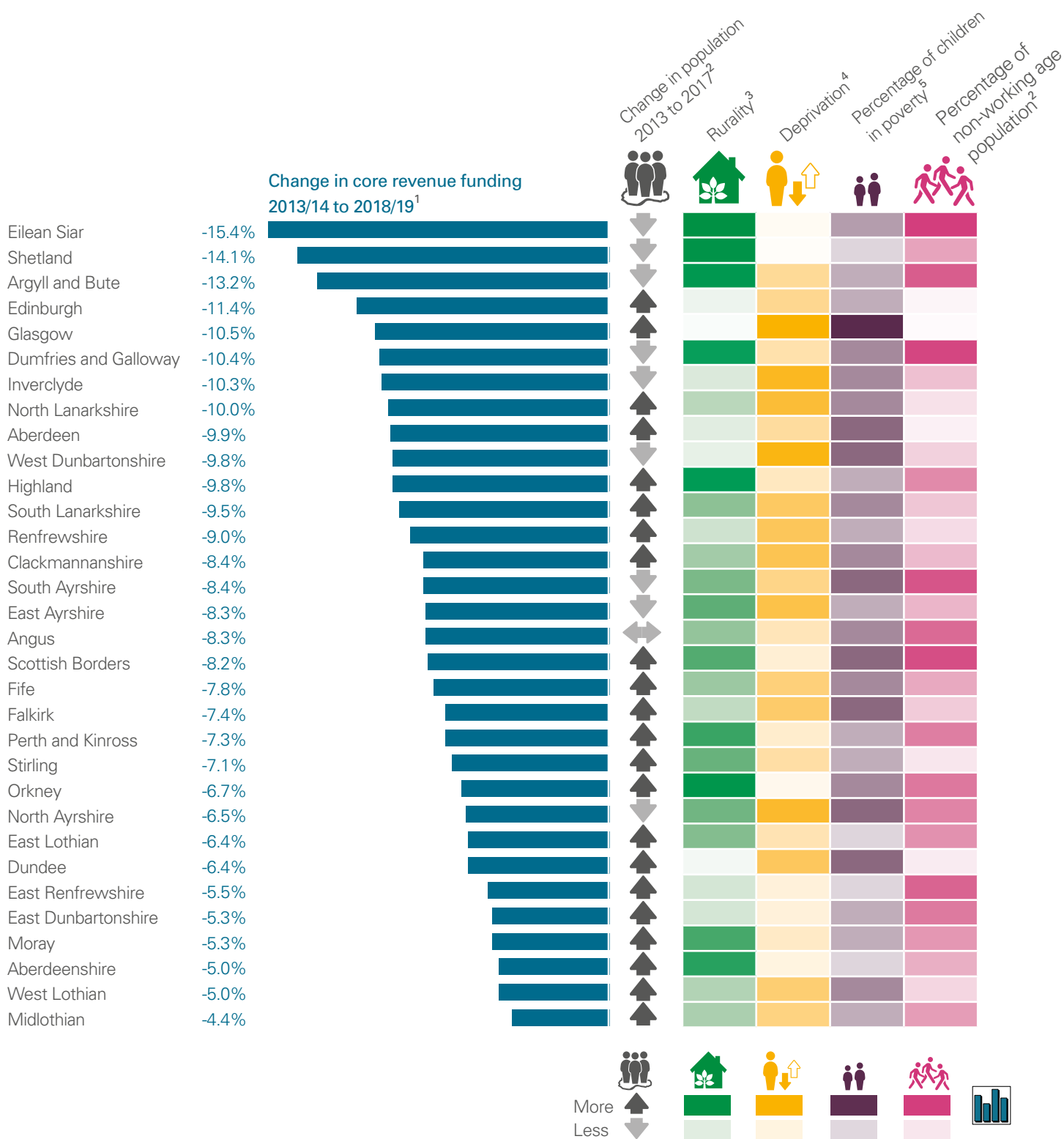
Do you have a clear understanding of the demographic circumstances within your council area?

Do you know how effectively your council uses this information to decide how to provide services in the future?

Exhibit 4

Changes to council core revenue funding in real terms between 2013/14 and 2018/19, illustrated with socio-demographic factors that can impact on service demand and costs

Demographic change, rurality and deprivation will all have implications for council services. The majority of core revenue funding is allocated based on population factors so funding reductions largely follow population change.



Note: The darker the colour the more significant an issue it may be to that council, Rurality can make it more difficult to deliver services cost effectively, an ageing population increases demand for services and deprivation and poverty can have wide ranging impact on residents and councils (Paragraph 41).

Sources: 1. Scottish Government financial circulars 2013, 2014 and 2019. 2. National Records Scotland mid-year population estimates 2013 and 2017. 3. Scottish Government Urban Rural Classification 2016. 4. Scottish Index of Multiple Deprivation 2016. 5. Children in families with limited resources across Scotland 2014-16, Scottish Government, 2017.

- the capital cost of building four new primary schools and a secondary school
- the costs of developing the roads and utilities to these developments
- the day-to-day costs of running and staffing the schools.

The number of people living in poverty has increased, putting additional pressure on council services

40. The Scottish Government reports that relative poverty rates are slowly increasing and that since the period 2012 to 2015, there has been a rise in income inequality. Between 2013 and 2016, the top ten per cent of the population in Scotland had 21 per cent more income than the bottom 40 per cent; in 2014 to 2017 this increased to 24 per cent more income.¹³ The Joseph Rowntree Foundation also reported an increase in child poverty rates during this period.¹⁴

41. There are implications for councils from more residents living in poverty, as they are more likely to need support from their council or have difficulty paying their council tax or rent:

- As part of the Child Poverty Act, councils are expected to produce an annual joint report with the NHS on their activities to address child poverty at a local level. It is not clear what resources councils will choose to allocate to their child poverty duties and reporting arrangements, but it may be substantial for those councils with high or growing rates of child poverty.
- Libraries now help people apply for benefits using their computers but a survey by Citizen's Advice found that people from the most deprived areas were less likely to be able to use a computer than those from the least deprived areas. It also found that of people seeking benefits advice, 25 per cent would need help and 27 per cent would not be able to manage at all.¹⁵
- There is also evidence to suggest that individuals' levels of debt have increased, and this could affect councils in council tax collection or rent arrears. The Joseph Rowntree Foundation found that in the UK six per cent of adults in the most deprived areas had council tax debt compared to 0.1 per cent in the least deprived.¹⁶
- Council accounts show that rent arrears have increased by nine per cent between 2016/17 and 2017/18; as councils have different procedures for managing and writing off rent arrears the level varies by council. The National Audit Office (NAO) found that local authorities in England reported higher rent arrears following the introduction of Universal Credit.¹⁷
- Homelessness applications have increased by one per cent between 2016/17 and 2017/18. During this period 17 councils saw an increase in the number of applications. Of those assessed as homeless or threatened with homelessness, 47 per cent had at least one additional support need, such as mental health problems, compared to 34 per cent in 2012/13.¹⁸

Part 2

How councils are responding



42. In [Part 1](#) we described the complex financial, policy and legislative challenges that councils face. Effectively led councils are clear about how these issues impact locally. They also recognise that the financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough and the redesign of service delivery is needed. [Part 2](#) focuses on some of the main considerations for councils and how they are responding to this need.

Transformational change requires strategic leadership, planning and good governance

43. Councils have worked hard to make efficiency savings. These have mostly focused on service review and improvement activity, property rationalisation, and improvements in back office functions such as human resources, payroll and finance systems. In many councils, these activities are unlikely to be sufficient to address the growing gap between demand and resources, and more fundamental changes are needed.

44. In making more fundamental changes councils have different approaches; many have a transformation programme, although it is not always called this, whereas some integrate service redesign work into mainstream council management and improvement activity. Transformation activity does not have to change everything at once; it can deliver change incrementally.

45. Making change through transformation to the services and functions of the council requires effective leadership and good governance arrangements. Transformation and change initiatives should contribute to the council's strategic and outcome priorities. It should also be a consideration in strategic planning. This includes decisions relating to arrangements such as:

- implementing digital approaches
- financial planning and funding approaches
- working in partnership
- community empowerment activity
- workforce planning and development.

These issues are all linked, and their interdependence needs to be understood by councillors and senior management.



Do you understand how your council's approach to transformational change will improve services and save money?

How will you monitor and scrutinise progress of transformational projects?

What is your council's risk appetite for transformational change? Are risks properly monitored?

Do you know what the financial repercussions will be if your council's transformation activity fails to meet its savings targets?

46. To make good decisions about opportunities and options for change, councils need to ensure that they make effective use of good-quality information and data. This includes benchmarking with other councils and using performance information to identify and understand why performance varies across councils and where this offers opportunities to improve. [Part 3](#) of this report sets out an overview of current performance across councils and some notable variances.

Good transformation is well scoped, addresses the needs of people who use services and should have proportionate governance structures.

47. The aim of transformational change is to improve outcomes for service users by making services to communities more efficient and effective. Transformation requires moving away from established ways of delivering services and this can bring considerable challenges. Successful projects dedicate time at the start to fully understand the issues that need to be addressed. To deliver transformative change, councils should:

- Adopt a holistic approach to service design. Transformation benefits from different departments working together to find the best solutions to improving services.
- Engage with service users and staff from the outset, to make the right decisions about where problems and opportunities lie, and what needs to change.
- Allow time for staff involved in transformation to properly scope and appraise options before committing to savings estimates.

To do this councils will have to consider how to incorporate some flexibility and freedom into their change and improvement arrangements, to allow some of the early thinking and design work to take place. This is difficult when budgets are reducing.

48. Good governance arrangements and effective management are essential in enabling the successful delivery of transformation activity. Councils report that they are adopting some key elements of good governance. Almost all councils have specific planning, decision-making and reporting arrangements in place for transformational or change activities. Over two-thirds show evidence of using options appraisals and around half have a dedicated team of staff to support change and transformation.

49. Good transformation should result in a service that better meets the needs of the people that use it, as well as being more efficient. There is scope for councils and other public bodies to share examples of successful transformation activity and learn from each other. Examples include:

- NHS Highland and partners have adapted homes in the 'FitHome' village in Dalmore to enable residents, who are elderly or have physical disabilities, to live safely and independently. The adaptations include sensor equipment that captures data as residents move around their homes and can be used to predict and prevent events such as falls. The first 14 residents moved into their new homes in Summer 2018.
- Glasgow City Council's family group decision making aims to allow children to remain within their wider family group rather than being taken into care.



Is your council's transformation activity supported by good governance arrangements and robust management?

Do you know if the governance arrangements factor in time needed to ensure projects are properly scoped?

Children and their families are involved in creating a plan to meet the child's needs. There are more than 1,300 children looked after by extended family or close friends, known as Kinship Care, in Glasgow. They are supported by 1,017 Kinship Carers with an annual budget of £8.1 million.

There are examples of digital approaches being used to drive improvement

50. Thirty-one councils are involved in the Digital Office (DO) for Scottish local government, a collaborative organisation created to improve the core digital skills held by council workers, digital leadership, and digital services within councils. All councils play an active role in delivering the projects that the DO runs by taking the lead on projects where their officers have expertise. This approach:

- pools in-demand skills and expertise
- shares best practice amongst councils
- fosters a strong culture of collaborative support.

51. Through the DO, councils are sharing their experience of using digital technology to improve service delivery. Some examples include:

- The E-sgoil programme in Eilean Siar uses technology to allow pupils to access teachers, classes or resources from any school within the council or elsewhere in Scotland. Previously a lack of teachers restricted the range of subjects the council could offer. The programme has been offered to other schools and is being used by some other councils. Comhairle nan Eilean Siar is now considering whether it could raise income by extending the programme's reach to other groups from outside the council area.
- City of Edinburgh Council has been working with a private company on its tram systems, using artificial intelligence to identify potentially hazardous situations and ensure that they are avoided.
- Glasgow City Council used data to change its approach to tracking and allocating school clothing grants in Glasgow. It was able to identify those eligible for a grant by analysing data it had already collected. This allowed them to identify 5,000 families who were entitled to funding but had not previously claimed.



Digital technology:

Technologies used by councils to deliver services and change the way that residents and staff interact with the council.

There are specific challenges that councils need to recognise to successfully deliver digital transformation

52. People increasingly expect to be able to access services online, and digital provides many options for transformation within a council. However, digital approaches will often be only part of the solution. In many cases, digital can improve services and make them more efficient, but more complex or unusual tasks may require other approaches. Digital transformation also has specific features that councils need to consider:

- Not all service users will be able to access digital services. It is often the most vulnerable within society who have the greatest need for council services but who are least able to access them digitally. They include people living in poverty, the elderly, people living in remote rural locations,

and people living with mental and physical disabilities. By enabling digital access to services for those who are able to use them, staff and funding can be redirected to provide other options, such as face to face or telephone contact, for those who struggle to engage through digital platforms or have more complex problems.

- Procurement of digital-enabled projects may be different to other things the council buys; so its existing arrangements may not be appropriate. Councils should understand that potential savings may not be immediately quantifiable, that investing for the future may be necessary, and that 'agile' management (where projects are broken down into small stages and adapted frequently), may be the best option. For this approach, councils need to invest in training staff and leaders.
- Digital projects can bring significant cultural change to councils. Those leading and managing change need to be sensitive to the potential for disruption in the working environment and for individuals in particular roles. Councils need to ensure that their workforce is included and informed at every stage of a digital change programme.
- Digital projects need to be led and staffed by officers with the right skills in the relevant areas. These skills can be difficult to find in the wider workforce and come at a high cost. The DO has been working with councils to develop these skills.
- The failure of digital projects can open a council up to the risk of losing data or of data being accessed and exploited by external groups. The internal mishandling of data could also leave councils vulnerable to being penalised for General Data Protection Regulation non-compliance.

53. Before embarking on digital transformation activity, councils should understand these challenges and the complexity of what they are trying to do. Our [Principles for a digital future](#)  briefing sets out five principles that should be considered when planning and delivering digital programmes. We will be carrying out an audit on digital progress in local government in 2020/21 which will consider councils' digital activity in greater detail.

Good progress has been made with medium-term financial planning

54. The Commission has previously commented on the importance of medium and long-term financial planning, particularly in the context of the increasing financial challenges and wider demands on services.

55. Funding settlements from the Scottish Government to councils continue to be provided on an annual basis. This makes it challenging for councils to plan and budget effectively for the medium term, given such a significant proportion of their income comes from Scottish Government funding.

56. In 2018/19, councils reported a funding gap of £0.3 billion (two per cent of expenditure), £0.1 billion less than in 2017/18. Councils planned to address this through making savings, using reserves and increasing fees and charges.

57. The need to find and deliver savings is expected to continue. We emphasise the increasing importance of medium and long-term planning to manage these



Does your council have medium and long-term financial planning in place?

financial challenges and to make well-informed decisions which are aligned to council priorities. Medium-term financial planning has been adopted by almost all councils, but less than half have significant long-term plans. Of those councils with longer-term plans, only five consider the impact of population and demand change on their services. The Commission encourages all councils to continue to develop and refine their medium and long-term planning and the use of scenario planning to support both.

Councils are under pressure to find different ways to increase income

All councils increased council tax by the maximum allowable three per cent in 2018/19 for the first time since the council tax freeze was lifted


58. As revenue funding has fallen in real terms, council tax represents an increasingly large proportion of the total funding available to councils, from 16 per cent in 2013/14 to 18 per cent in 2018/19. In the 2017/18 budget, the Scottish Government announced the end of the nine-year council tax freeze, but capped the amount councils could increase it by to three per cent:

- In 2017/18, 24 councils increased their council tax, including 21 that increased rates by the maximum allowed.
- In 2018/19, all councils increased council tax by three per cent.

In 2019/20, the Scottish Government increased the cap to 4.8 per cent in cash terms, or three per cent in real terms. Twelve councils decided to increase council tax by the full amount. Thirteen councils increased it by three per cent and the other seven by between 3.9 and 4.5 per cent.

59. In 2017/18, an estimated additional £110 million was raised through council tax reforms, these included a change to higher rate council tax bands and an end to council tax relief on second homes.

Councils have looked for other ways to increase income

60. We reported in our [Local government in Scotland: Financial overview 2017/18](#)  that there is variation in how councils approach increases to charges. Some councils are making increases to all charges, some are making significant increases to certain charges such as commercial waste and some are introducing new charges, for example for garden waste and public toilets.

61. From information provided by auditors, we found that councils had increased 11 types of charges by more than inflation between 2016/17 and 2018/19. The highest increases were in relation to burials. The cost of a burial plot increased by an average of 20 per cent (22 councils responded) and the cost for burial services increased by 12 per cent (23 councils responded).

62. COSLA and some councils are seeking opportunities to raise local taxes.

- City of Edinburgh Council is the first council to propose a transient visitor levy or 'tourist tax' to raise funds to manage and promote tourism in their local area. In February 2019, the council approved plans for a £2 or two per cent per room per night charge which it expects will raise up to £14.6 million.¹⁹ It now requires legislation from the Scottish Government to implement the tax. The Scottish Government committed to a consultation on the tourist tax in January 2019.



Does your council link budgets to plans and outcomes and report on these?

Do you know what options your council is considering to maximise income?

How is your council considering the impact that these changes might have on equalities?

If your council is considering generating commercial income, do you know how it plans to mitigate the risks?

- In the 2019/20 budget the Scottish Government agreed to support an amendment from the Scottish Green Party to the Transport (Scotland) Bill that would give powers to councils to introduce a workplace levy. This means employers would pay the council a tax for any car parking spaces they offered.

Councils are considering development of commercial services, but risks need to be well managed

63. As part of longer-term financial planning, councils are considering how they can develop approaches to generate commercial income, beyond local fees and charges for current services. If councils choose to do this they need to consider; whether they have the skills and staff numbers to deliver it, the impact it may have on the local economy, and how they will mitigate the risks of investing public money in the commercial market.

64. Given that there has been more development of commercial arrangements in England, it is useful to consider the learning from this. Councils in England have experienced very significant reductions in funding (funding to local government has fallen by 49 per cent between 2010/11 and 2017/18) and have used several commercial approaches to support their finances in response.²⁰ The NAO reported that between 2013/14 and 2016/17, there had been a 31 per cent increase in external interest payments and a 16 per cent increase in trading profits.²¹ Some councils have borrowed money to invest in property from which they then earn an income or profit. The UK Government reports that:

- spending on trading services has increased from £323 million in 2014/15 to £2.9 billion in 2017/18
- land and buildings acquisitions increased by 43 per cent in the last year to £4 billion in 2017/18.²²

65. The Chartered Institute of Public Finance and Accountancy (CIPFA) is concerned by the level of borrowing by councils and is producing guidance for those considering this route; it has cautioned councils against:

- becoming dependent on commercial income
- taking out too much debt relative to their total spending
- taking on debt to finance commercial investments, such as shopping malls or office blocks.²³

Good partnership working is critical if councils are to deliver priorities and improved outcomes for communities

66. The Commission has consistently highlighted the increasing importance of good partnership working in the Scottish public sector. Working well with local partners in the public, private and third sectors is becoming increasingly important as councils try to deliver more for less. Given the significance and the potential efficiencies, both financial and non-financial, that collaborative working in the public sector can achieve, this will continue to be an area the Commission will have an interest in over future years.



Does your council consider sharing services in options appraisals and change programmes?

Do you know if there are processes in place in your council to facilitate collaborative working on a local, regional or national basis?

67. Shared services are one potential approach to partnership working. Through our audit work, we have seen only a limited number of examples of councils sharing services. These include:

- East and South Ayrshire work together to deliver roads-related services through the Ayrshire Roads Alliance
- East and West Dunbartonshire share an IT data centre
- Renfrewshire, East Renfrewshire, Inverclyde and West Dunbartonshire are part of a joint emergency planning service.

Although integration authorities have made some improvements they must overcome several significant barriers to speed up change and improve outcomes

68. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) established 31 integration authorities (IAs) which are partnerships between NHS boards and councils. They are responsible for directing almost £9 billion for the delivery of adult health and social care, and in some council areas, for other services, such as children’s services. Our report *Health and social care integration* and our *Local government in Scotland: Financial overview*, both published in November 2018, found that although progress has been made there are significant challenges to overcome (Exhibit 5).



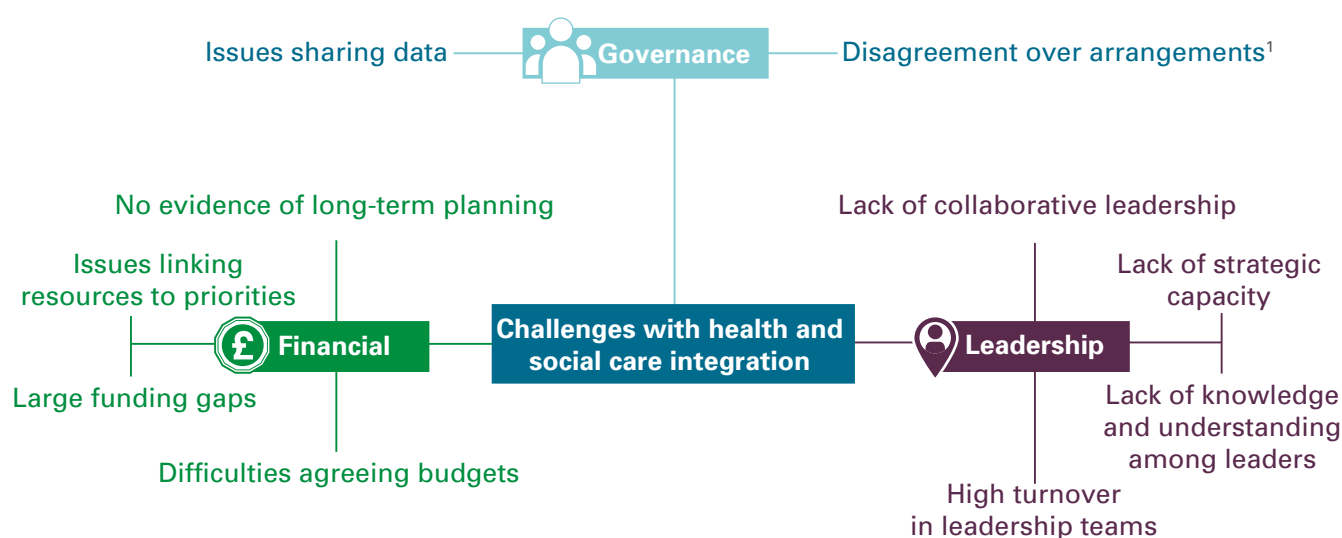
Do you know how your council is ensuring the good governance and financial sustainability of its Integration Authority?

Do you know what your council is doing to ensure that it works with partners to be more open and realistic about changes needed?

Exhibit 5

Challenges to health and social care integration in Scotland

There are significant changes required if integration is going to make a meaningful difference to the people of Scotland.



Note: 1. Disagreements are often due to differing views on responsibility, especially about who is responsible for service performance and quality of care and when accountability for a decision rests with individuals who are no longer responsible for taking them.

Source: *Health and social care: update on progress*, Audit Scotland, November 2018

69. Performance of IAs in terms of the outcomes experienced by patients is discussed further in [Part 3 \(paragraphs 114–118\)](#).

The Community Empowerment Act fundamentally changes the relationship between council and communities

70. Councils are committed to community empowerment and most are beginning to implement their arrangements at a local level. Effective use of community empowerment can contribute to change and transformation by generating ideas and by involving communities in the difficult decisions that need to be made about priorities and options.

71. Our work shows that some councils:

- have well-established arrangements in place to empower communities ([Case study 1](#))
- are providing training to elected members and officers to enhance their knowledge of community empowerment
- are working to develop community capacity, including providing information and training to communities on how to deliver a service and support through the community asset transfer process.

Case study 1

East Ayrshire Council's 'Vibrant Communities' approach



The Vibrant Communities approach is to work 'with people' rather than 'for people'. It focuses on two areas:

- Early intervention and prevention – acting as soon as possible to tackle problems for children, families and vulnerable people.
- Sustainable communities – empowering and enabling communities to get more involved where they live.

Communities discuss their local needs and priorities and then agree actions to improve their local area. Since 2014, the council has supported 19 communities to develop and implement community action plans through their Vibrant Communities approach. Community workers support community representatives in developing and implementing their plans. Once the plans are established community representative groups monitor progress.

Vibrant Communities has a dedicated community asset transfer team to offer legal, planning and business advice, and advise on alternative funding streams for communities applying for an asset transfer.

Sources: [Best Value Assurance Report: East Ayrshire](#) , Accounts Commission, May 2018, East Ayrshire Council



Audit Scotland produced a briefing paper in April 2018

[What is integration](#) 



Does your council engage with communities on decisions about services, budget proposals and priorities?

Are you clear on what community empowerment involves what it means for your council?

What is your council doing to implement community empowerment arrangements at a local level?

Does the Local Outcome Improvement Plan focus on areas where the Community Planning Partnership can make the biggest impact?

Do you know what your council is doing to reach out to 'seldom heard' and disadvantaged groups?

72. While we have seen examples of good progress, some councils still need to do more to meet their obligations under the Act and ensure communities are empowered by building their capacity further.

73. The Act also places a duty on each Community Planning Partnership (CPP) to develop a local outcomes improvement plan (LOIP). LOIPs set out local outcomes that the CPP will prioritise for improvement. Audit Scotland, the Improvement Service and NHS Health Scotland conducted a review of LOIPs in 2018. We found that:

- the scale and scope of LOIPs varies across Scotland, however progress is being made against the expectations of the Act and associated guidance
- LOIPs need to be more focused on areas where the CPP can make the biggest impact
- there are genuine attempts to enhance community engagement and participation
- there is a lack of clarity around how CPPs are reaching those who are under-represented in council decisions, or the most disadvantaged communities.

Councils are engaging with communities but there is less evidence of successful engagement with people from deprived areas

74. Consultation with communities continues to take place mostly through citizens' panels, residents' surveys and council webpages. Our auditors reported that 26 councils involve communities in decisions about services, budget proposals and priorities and nine councils had either a dedicated team or staff member to support community engagement. Some examples of good practice include:

- Argyll and Bute Council carries out an annual consultation exercise on its budget for the coming financial year. It collates and analyses responses and publicly reports the impact of residents' feedback on decisions.
- East Lothian Council has established six local area partnerships to enable community engagement for the CPP. Each partnership is chaired by a member of the community and is made up of elected members, local bodies, interest groups and residents. Locality plans for each area partnership outline their priorities for improvement and help focus budgets around local priorities.

75. The Scottish Household Survey results suggest that councils are less successful in engaging with people from deprived areas. The percentage of all people surveyed who felt they could influence local decisions was 23 per cent in both 2016 and 2017, whereas for people living in deprived areas the figure was 21 per cent in 2016 and 19 per cent in 2017.

Although councils are responding to the requirements of the Act, they need to do more

76. Participatory budgeting is part of the Community Empowerment Act. It gives residents the opportunity to vote on how local money is spent and to have a say on issues important to them. Councils benefit from a better understanding of their residents' needs and communities feel more engaged and empowered. Dumfries and Galloway Council used its participatory budgeting exercise to focus on reducing inequality ([Case study 2, page 30](#)). Councils should also consider



The Community Empowerment Act (Scotland) 2015 requires that councils ensure communities are actively involved in deciding how public services are planned and provided and seeks to empower community bodies through transferring ownership of land and buildings.

As part of the Act, local authorities have statutory oversight of community councils and are required by statute to consult community councils about planning applications and licencing matters.



What is your council doing to ensure that one per cent of revenue budgets is allocated through participatory budgeting by 2020/21?

whether their approach to participatory budgeting is inclusive of a range of groups within their area, including disadvantaged and hard-to-reach groups, and the impact on improving outcomes.

Case study 2

Dumfries and Galloway Council's tackling poverty participatory budgeting exercise



Dumfries and Galloway Council allocated £240,000 from its Tackling Poverty fund towards a participatory budgeting exercise, 0.08 per cent of its total revenue funding. Sixty-three projects from across the region progressed to public voting events. Successful projects were focused on alleviating different aspects of poverty. Examples of successful projects included provision of:

- emergency power payments, sanitary products and essential toiletries (low income and financial poverty)
- school holiday breakfast and lunch clubs for low income families (food poverty)
- transport for access to services and activities (fuel poverty, rurality and isolation)
- ICT learning activities for those who require access to benefits and who are seeking employment (access to information and educational activities/opportunities).

The council evaluated the project and used feedback to identify how the process could be improved in the future, such as increasing the number of voting events and improving communications to build awareness and generate interest.

Sources: [Best Value Assurance Report: Dumfries and Galloway Council](#) , Accounts Commission, November 2018. *Participatory Budgeting Evaluation Report*, Dumfries and Galloway Council, 2018

77. We are aware of 13 councils that have held participatory budgeting exercises; however, they remain small in scale. COSLA is supporting councils' work towards the Scottish Government's target of allocating one per cent of revenue budgets to participatory budgeting by 2020/21. For example, Dundee City Council held a participatory budgeting exercise in 2017/18 where 11,000 people voted on which priority projects should be allocated a share of £1.2 million (0.3 per cent of the council's £343 million revenue funding). Communities, existing representative groups and elected members were involved in the selection of projects and the council held a community conference to shape ideas. Feedback on the exercise was positive and the council will use learning to shape future exercises.

78. The Accounts Commission has a continuing interest in community empowerment, and will consider the pace and level of progress in future Best Value work and performance audits.

Workforce reductions have changed how councils are structured and the skills available, but the quality of workforce planning is inconsistent

79. Councils spend a substantial part of their revenue budgets on their staff. They directly employ around 243,000 people, around 197,500 full-time equivalent (FTE) staff. This is 48 per cent of the public-sector workforce, meaning councils are the largest employer in the Scottish public sector. Reducing the workforce is one of the main ways councils have made savings. For example, in Dumfries and Galloway the council saved £60 million in the past five years partly through reducing its workforce by 11.3 per cent.²⁴ Councils need to do more to ensure they understand in detail the profile and capacity of the management and workforce they currently have and need in the future. This is fundamental for being able to effectively respond to the challenging context and deliver effective change.

80. The Scottish Government reports quarterly on total local government staff and every year on social workers and teacher numbers.

- Between September 2017 and September 2018, there has been a small decrease, 0.2 per cent, in FTE staff numbers within councils. Since 2013, staff numbers have fallen by almost 5,000, a decrease of two per cent.²⁵
- In the past five years there has been a 0.1 per cent reduction in social workers and a 1.6 per cent increase in teachers compared to a two per cent reduction for total council workforce.

Therefore, teachers and social workers now make up an increasing proportion of council employees, 29 per cent in 2017 compared to 27 per cent in 2013.

The quality of workforce planning varies across councils

81. The Commission believes that integrated workforce planning is essential for robust medium and long-term planning and effective transformation. This should include an analysis of what the council will need in the future, where the gaps lie and how to address them, either through training, recruitment, restructuring current resources, shared arrangements with other organisations, or procuring specialist skills.

82. Workforce planning is an area where progress is mixed across councils. Glasgow City, as an example, has a coordinated approach to workforce planning. Each service has a workforce plan which forecasts its requirements. Quarterly updates are collated centrally to identify gaps and surpluses which are then used to develop budgeting and resourcing plans including redeployment and retraining opportunities. However, there are other councils where it is not clear what the workforce will look like in terms of numbers and skills in the medium or long term.

Councils need to plan to ensure they have the staff, skills and leaders to deliver change, but there is no national data on workforce by service

83. Effective leadership is fundamental to the successful implementation of change in a complex and changing policy landscape. Councils need to ensure they have the best possible political and management leadership. This means ensuring there is appropriate training and development to support both councillors and management. For senior management this also means building the best strategic team possible and ensuring there is enough capacity to lead change and wider responsibilities. The Commission considers that this means recruitment



What is your council doing to ensure that it has the right capacity, skills and leadership in its workforce?

What training does your council make available to officers and councillors to ensure they have the skills to deliver services in the future?

to chief executive posts should include open competition to secure the best possible pool of candidates. Unless there is a clear rationale, which should be articulated in public council papers, key senior management positions, such as director and head of service level posts, should also be advertised externally.

84. There is a lack of national data on workforce by service. This makes it difficult to be able to determine what is needed in terms of skills or training for staff across Scotland, how services have been affected by the overall reduction in workforce and to inform benchmarking and sharing good practice. Other available data indicates reductions in some services, for example:

- The Royal Institute of Town Planners report a 23 per cent reduction in the planning workforce in Scotland from 2009 to 2016.²⁶
- The Society of Chief Officers of Environmental Health in Scotland report that the number of professionally and technically qualified environmental health staff has decreased by 12 per cent from 2016 to 2018.²⁷
- The number of librarians has fallen by 22 per cent and the number of library staff by seven per cent between 2014 and 2018.²⁸

85. Councils continue to report staff shortages in key service areas:

- Two-thirds of councils reported a shortfall in mental health officers, the additional hours needed per week to make up this shortfall is equivalent to 41 full-time officers.²⁹
- Care Inspectorate reports for Eilean Siar and Renfrewshire observed the continued difficulties in recruitment and retention of social care workers and the impact this has on services.

86. The UK's withdrawal from the EU could exacerbate problems of staff shortages as it could result in a loss of non-UK EU nationals from the workforce or difficulty recruiting from Europe. The Scottish Government estimates that there are 9,830 non-UK EU nationals working in social care in Scotland, 5.6 per cent of the workforce.

87. Councils are competing with other organisations for the same skills, for example digital, project management, planning and engineering expertise. Difficulties with recruitment and retention are compounded by an ageing workforce within councils and with a smaller working age population to recruit from. Also, many of the reductions in the workforce are from those approaching retirement, meaning that their skills and experience are lost to the organisation. For example, in Dumfries and Galloway Council 44 per cent of staff are over 50 years old.

88. Councils need to ensure there is sufficient training for their staff to allow them to respond to the changing and more pressured environment. There is no national data on skills training programmes; however, in our BVAR reports we have highlighted how some councils have approached this:

- In West Dunbartonshire Council, staff have a skills passport which sets out mandatory learning for staff at various career milestones. This allows them to plan for their ongoing development and encourages continuous learning.



Does the training you are offered meet your needs? If not, do you know who to speak to?

Does your council have an organisation-wide workforce plan? Does it contain information about the numbers, costs and skills of the actual and desired workforce?

- Dumfries and Galloway Council's 'Grow your Own' scheme retrain staff in areas where there are recruitment issues. As a result, it has been successful in filling teacher vacancies.

Councils should consider the impact of change on their staff

89. Savings programmes and staff reductions mean some uncertainty for council staff. Unless managed well, this could have an impact on the morale of the workforce and individual staff's wellbeing. Surveys carried out by Unison found that in 2018:

- 75 per cent of Environmental Health and 70 per cent of Trading Standards employees interviewed reported that morale in their organisation was low
- 90 per cent and 78 per cent respectively said that workload was higher than five years ago.³⁰

90. Councils should be aware of the impact savings programmes are having on their workforce and put measures in place to address any issues. Many councils do this through staff surveys. Common findings from staff surveys indicated people not feeling valued for what they do, not being asked for their views on change and feeling that working for the council had worsened in recent years due to workload.

91. The average number of sickness days for non-teaching staff has increased from 10.9 days in 2016/17 to 11.4 days in 2017/18. There is significant variation among councils, from an average of 16.8 days in Clackmannanshire to 8.4 days in East Ayrshire. For teachers, the average number of sickness days has fallen slightly from 6.1 days in 2016/17 to 5.9 days in 2017/18, varying from 9.1 days in Clackmannanshire to 4.2 days in East Ayrshire.

92. We have calculated in previous reports that if councils reduced sickness absence they could improve their productivity. If councils with higher rates of sickness absence levels reduced these in line with the top eight performing councils, they would gain the equivalent of 619 non-teaching staff across Scotland, and 248 teaching staff.



Do you know how your council is ensuring changes to staff numbers and working practices do not have a negative impact on morale and wellbeing?

Part 3

Council performance and the impact on communities



Councils understand the challenges facing their communities, but resources need to be better linked to their vision and priorities

93. Our audit work shows that councils continue to clearly set out their strategic priorities and plans. Councils understand the local context of their communities and have a strategic focus on improving social inequality, particularly in areas of high deprivation.

94. Over half of councils clearly link their budget setting to their strategic priorities or plans. This should be evident in all councils. More also needs to be done to demonstrate how spending is linked to outcomes and performance. A positive example that contributes to clearer links is evident at North Ayrshire Council. Officers include information on what outcomes could be achieved for each level of investment when presenting strategic investment options. This allows councillors to consider whether the impact on the council's priorities would be significant enough to warrant the investment.

Councils are focused on performance management and improvement

95. Our Best Value assurance reports to date indicate councils have improved their approaches to managing performance and improvement. Good performance management should link to the council's strategic priorities and be able to demonstrate a link between spend and outcomes.

96. A good council is self-aware, understands its own performance and uses that to make improvements. Our auditors reported evidence of self-evaluation in 14 councils in their 2017/18 Annual Audit Reports. For example, North Lanarkshire Council reviewed its position against the Best Value characteristics and the recommendations in previous Best Value assurance reports to help develop its rolling programme of reviews. Many councils have structured self-evaluation programmes. These can include corporate level and service level assessment tools, for example in West Lothian Council all services complete a bespoke assessment model and attend an officer-led scrutiny panel once in a three-year cycle to provide challenge to the service and promote improvement.

Councils need to show they are delivering against their high-level outcomes

97. As part of setting its *2018 Statutory Performance Information Direction* [\(↓\)](#), the Commission reviewed performance information available on council websites. It found that:

- Auditors in 20 councils concluded that performance information was satisfactory.
- 90 per cent of councils published an annual performance report and 80 per cent published service level performance information.



Does your council clearly link its budget setting to its strategic priorities and plans?

Are you assured that performance reporting by your council is accurate and accessible?

Can your council demonstrate progress in delivering its key outcome priorities?


- There are large amounts of performance information online, however websites could be easier to navigate, and the information was sometimes out of date. Councils may also want to consider whether having fewer, but better focused, performance indicators would allow them to demonstrate performance against their key priorities more clearly and effectively to the public.
- While 90 per cent of councils report performance against their priorities, few outlined progress against outcomes.

98. It is important that councils clearly report their performance to local citizens and the community. Good performance reporting includes clearly stating how performance and spend are linked to the council's priorities; local indicators which demonstrate quality of service; public satisfaction levels; and an overall assessment of the council's performance against outcomes.

Most national indicators have improved or been maintained but performance varies between councils.

Despite funding reductions, councils have maintained performance against several national indicators

99. The National Performance Framework measures progress across 81 indicators, although some of these are still in development and some do not have the data to allow trend analysis. We have selected 16 of the available indicators, these show that many outcomes have improved across Scotland in the last five years ([Exhibit 6, page 36](#)). However, there has been less progress with health outcomes.

100. Many of the NPF indicators are not available at a local level but the Improvement Service has developed a Community Planning Outcomes Profile (CPOP) tool which tracks performance against a set of identified measures at a CPP level. There is a helpful interactive tool on the [Improvement Service website](#)  which allows communities and councils to drill into the data and to compare performance between CPPs, councils and over time. Analysis of the CPOP data shows that the majority of outcome measures have improved over the last five years.

101. There are limitations with the availability of both the NPF and CPOP data. Better data would allow councils to understand differences in demand and performance, report how well they are delivering against their outcomes and enable more informed decisions.

Since 2010/11 performance against most Local Government Benchmarking Framework indicators has been maintained or improved

102. The Local Government Benchmarking Framework (LGBF) is produced by the Improvement Service in partnership with councils. Since 2010/11 it has produced comparative performance information for councils to help them improve. The LGBF contains over 70 indicators covering a broad range of service areas. In previous years and in our BVARs we report on a sample of eight measures to give an indication of council performance.³¹ Over the past seven years performance for these indicators has improved slightly or remained stable ([Exhibit 7, page 37](#)). This year, the LGBF reports that across all indicators there is some evidence that performance improvement is slowing down for the first time since 2010/11.³²




















Does your council make use of LGBF data to consider where and how it might make improvements to service delivery?

Have you considered what lessons your council can learn from other councils who are delivering services well?

Exhibit 6

Changes in performance measures for Scotland's outcomes between 2013 and 2017

Performance against many outcome measures has improved but there has been less progress with health outcomes.

Children, young people and education	Percentage of settings providing funded early learning childcare achieving good or better across all themes	-0.5%	
	Proportion of adults aged 16-64 with low or no qualifications (SCQF level 4 or below)	-1.8%	
Satisfaction	Percentage of adults who rate their neighbourhood as a very good place to live	2%	
	Percentage of respondents who are fairly or very satisfied with the quality of local services (local health services, local schools and public transport)	-8.2%	
	Percentage of people who agree with the statement 'I can influence decisions affecting my local area'	0.7%	
	Percentage of households who report being either 'very satisfied' or 'fairly satisfied' with their house or flat	2%	
Culture and leisure	Percentage of adults who have participated in a cultural activity in the last 12 months	-0.2%	
	Proportion of adults making one or more visits to the outdoors per week	6%	
Environment	Percentage of energy consumption which is renewable energy	7.1%	
	Household waste (million tonnes)	4.2%	
Fair work and business	The total number of private sector enterprises in Scotland per 10,000 adults	8%	
	Percentage of workers earning less than the living wage	0.1%	
	The difference between male and female full-time earnings, expressed as a percentage of male full-time hourly earnings	-3.4%	
Health	Average Mental Wellbeing Score ¹	-0.2%	
	Percentage of adults with two or more health risk behaviours (current smoker, harmful drinking, low physical activity, obesity)	1%	
	Proportion of adults usually travelling to work by public or active transport	-0.6%	
	European Age Standardised mortality rates per 100,000 for people under 75 in Scotland	-2.8%	

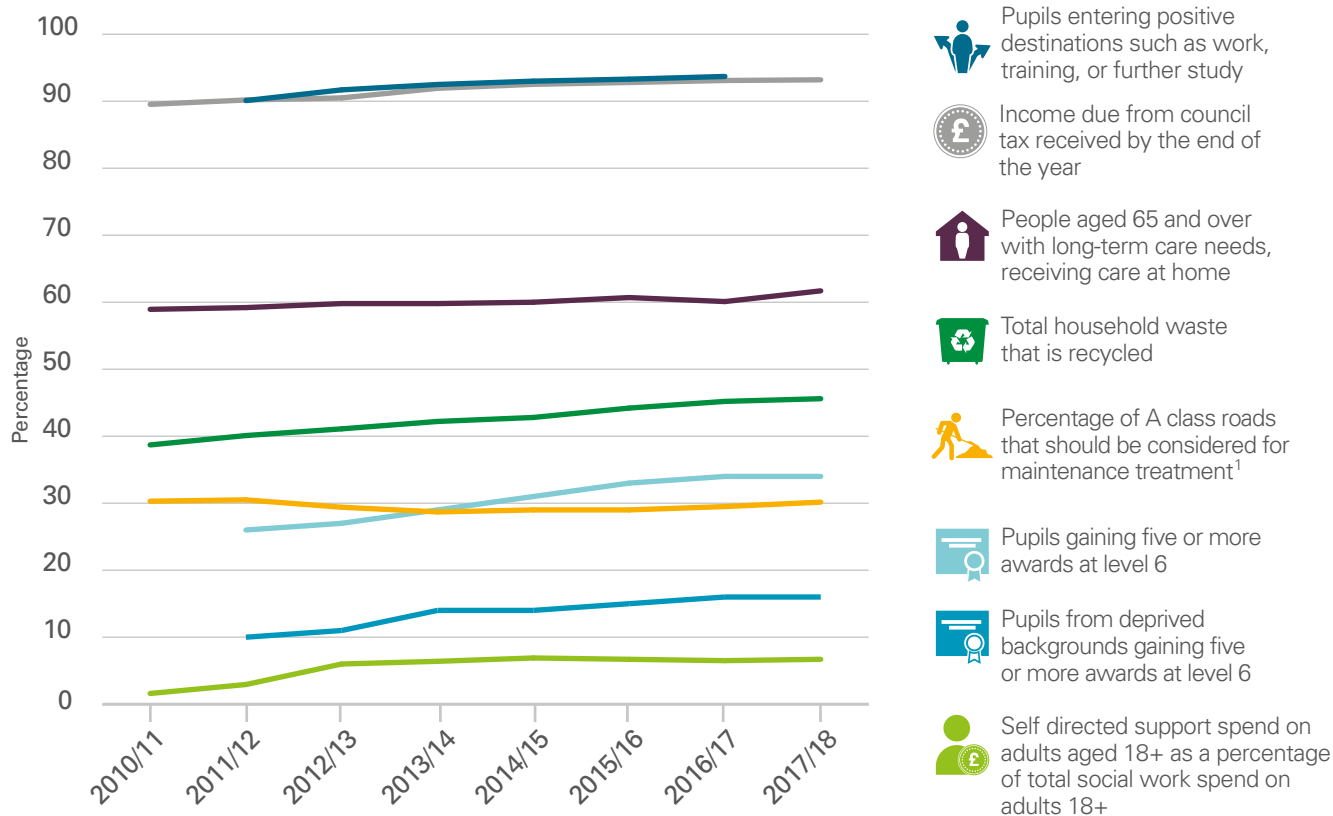
Note: 1. Warwick-Edinburgh Mental Wellbeing Score.

Source: National Performance Framework

Exhibit 7

Performance against selected indicators, 2010/11 to 2017/18

Performance has been maintained or improved.



Note: 1. Roads maintenance is measured in two-year time periods therefore 2009-11 is reported in 2010-11.

Source: Local Government Benchmarking Framework, 2017/18



103. We have also analysed council spending against indicators to see the impact that funding reductions have had on performance at a national level. This shows that since 2010/11 most services have been maintained or improved despite reducing budgets ([Exhibit 8, pages 38-39](#)). However, in the past year the data shows that some services are beginning to spend more or have had a decline in performance, for example, the number of library visits has fallen by eight per cent.

Performance variation is expected as councils have different local priorities, but it can also provide opportunities for identifying efficiencies.

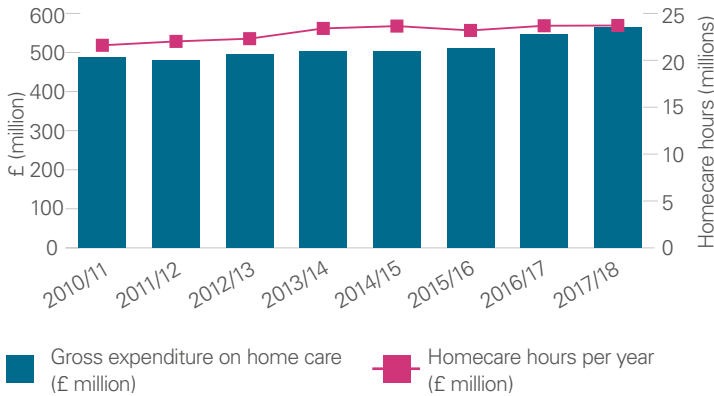
104. The Accounts Commission is clear that 'It is for councils to make choices in where they focus their improvement work, but they need to be able to show how they have arrived at such choices'.³³ As such performance against the indicators will vary depending on both local factors and policy decisions.

105. Councils should use the LGBF and other benchmarking tools to understand where councils with similar circumstances are performing better or spending less to provide the same service. [Exhibit 9 \(page 40\)](#) shows that there is a wide variation in both performance and unit costs between councils. There could be several reasons behind this, but it provides an opportunity to share learning and experiences to improve services.

Exhibit 8

Performance and spend in key areas, 2010/11 to 2017/18

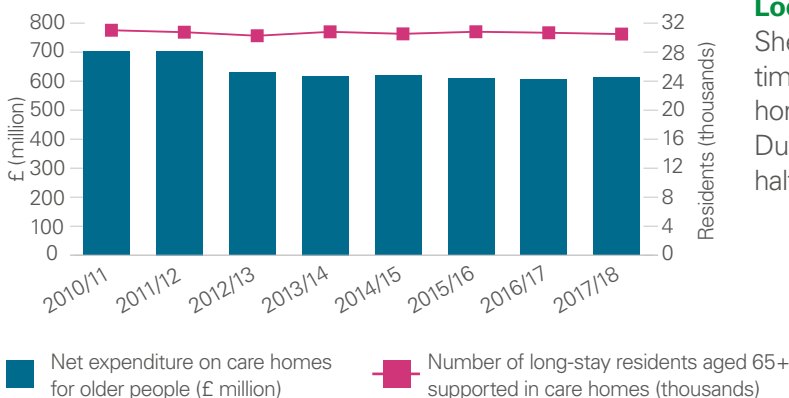
There has been a significant increase in expenditure on home care, while the number of hours provided has increased at a lower rate.



Local variations

Clackmannanshire, Perth and Kinross and Stirling councils have the lowest costs per hour of homecare. The island councils have higher cost per hour of homecare than other councils. Midlothian Council's costs are higher than other mainland councils.

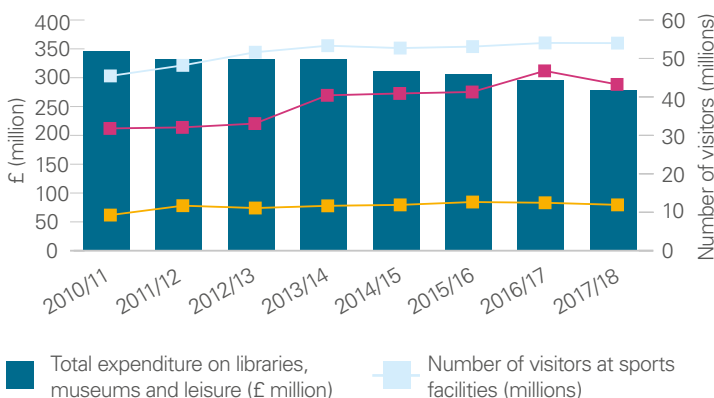
Spending on residential care and the number of residents has stayed relatively constant in recent years.¹



Local variations

Shetland Islands Council spends more than three times the Scottish average per week on their care home residents, £1,349 compared to £386; while Dumfries and Galloway Council spends just over half of the Scottish average (£195).

Spending on culture and leisure continues to fall but visitor numbers to sports facilities, museums, and libraries all decreased in 2017/18.



Local variations

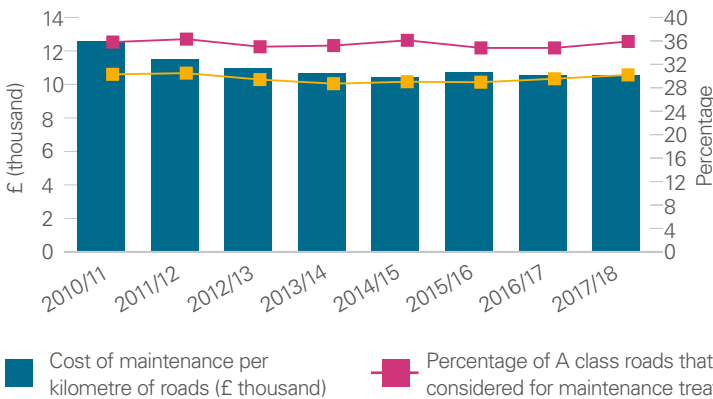
The City of Edinburgh Council had the highest number of library visits in 2017/18 and some of the lowest costs per visit. Glasgow City Council had the highest number of museum visitors and average costs per museum visit.



Exhibit 8 (continued)

Performance and spend in key areas, 2010/11 to 2017/18

Spend on roads has reduced since 2010/11, although it has remained relatively stable in recent years. The percentage of roads classified as needing maintenance increased slightly between 2016/17 and 2017/18.²



Local variations

Dundee City Council has the lowest percentage of roads in need of maintenance and is in the top 25 per cent of cost of roads per km. Argyll and Bute Council has the most roads in need of maintenance and is in the bottom 25 per cent for cost of roads per km.³

For the first time since 2010/11 expenditure on street cleaning increased, by six per cent, but the cleanliness score continues to fall slightly.



Local variations

In 2017/18, Glasgow City Council spent the most per 1,000 of population on street cleaning, more than double the Scottish average, but had one of the worst street cleanliness scores. Scottish Borders Council has one of the highest street cleanliness scores and spends roughly two-thirds the Scottish average.



Notes:

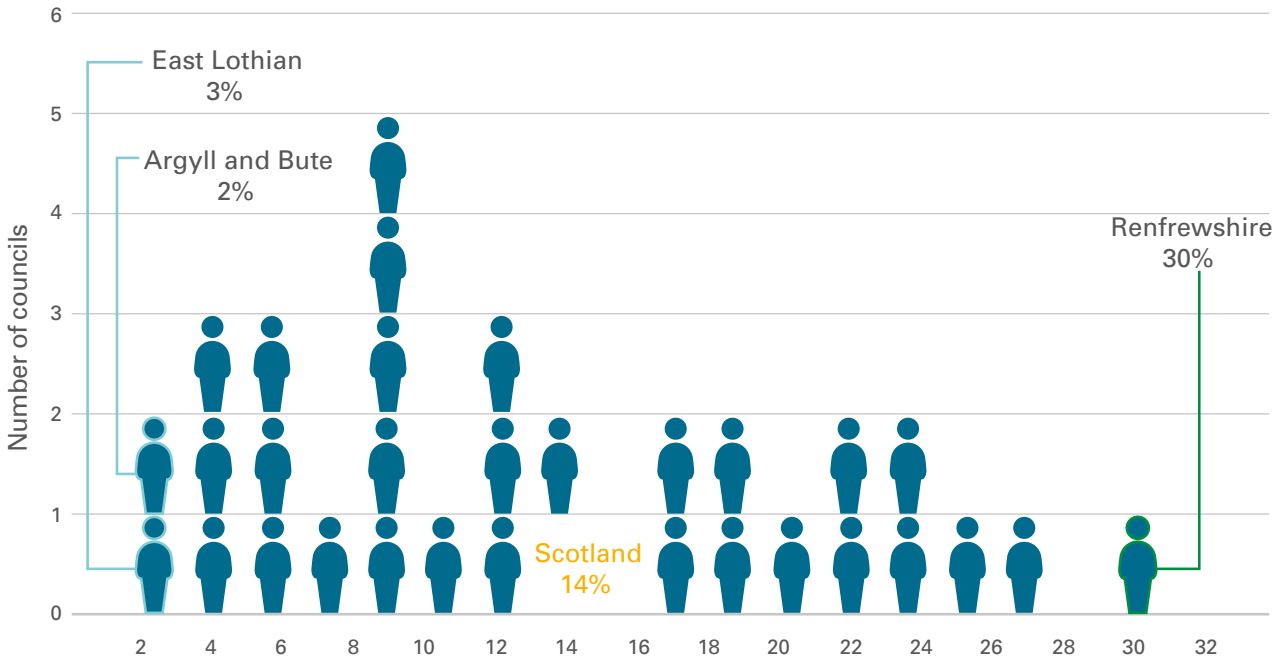
- 2010/11 and 2011/12 expenditure includes support costs so is not directly comparable to later years.
- The percentage of roads that should be considered for maintenance treatment indicator is measured over two-year periods, for example 2009-11 is plotted as 2010/11.
- The cost of roads per km includes both revenue and capital expenditure.

Source: Audit Scotland; and Local Government Benchmarking Framework 2017/18, Improvement Service

Exhibit 9

Variation between councils 2017/18

The percentage of unemployed people helped into work by a council employment scheme varied from two per cent in Argyll and Bute to 30 per cent in Renfrewshire.



Percentage of unemployed people assisted into work from council operated or funded employability programmes

Note: There is no data for employability in Shetland in 2017/18.

The cost of council tax collection is significantly higher in the island councils.



Note: Scotland figures are the Scottish average.

Source: Local Government Benchmarking Framework 2017/18



- The percentage of unemployed people helped into work through a council operated or funded employability programme ranged from two per cent in Argyll and Bute to 30 per cent in Renfrewshire. We calculated that if all councils could increase their number to the Scottish average of 14 per cent, an additional 3,500 people would have been helped into employment in 2017/18.
- The cost of council tax collection is significantly higher in the island councils; it costs £27 per property to collect council tax in Eilean Siar and £17 per property in Orkney Island compared to the Scottish average of £7. Clackmannanshire and Fife councils spend less than £3 per premise to collect council tax. We calculated that if the 16 mainland councils who spend more than the Scottish average reduced costs to that level they would save £1.7 million and if the Eilean Siar and Orkney reduced their costs to those of Shetland Islands, they would save £209,000 and £179,000 respectively.

Education performance has improved since 2011, but progress slowed in 2017/18 and the attainment gap between the most and least deprived pupils has widened in the last year

106. Education is the largest area of council spend, and the focus of considerable national policy attention. In 2017/18, councils spent £3.9 billion on schools, and a further £0.4 billion on pre-schools. This is a one per cent and three per cent respective real terms increase on the previous year. Spending on schools has reduced by two per cent since 2011/12, but has been increasing since 2015/16, when the Scottish Government introduced its Scottish Attainment Challenge.³⁴

107. Nationally pupil attainment has been improving. Across Scotland, there has been a 16 per cent improvement in average tariff score since 2011/12. However, 2017/18 data shows that:

- For the first time there has been no change in the percentage of pupils gaining five or more awards at level 6 and the proportion of pupils gaining five or more awards at level 5 has increased at a slower rate than previous years.
- The gap between average tariff scores of the most deprived pupils and the least deprived pupils increased from 2016/17 to 2017/18. In 2017/18, pupils from the most deprived areas saw a 1.1 per cent reduction in their tariff scores while those in the least deprived saw a 0.9 per cent increase. This increased the gap between the most and least deprived by three per cent since 2016/17.³⁵

108. Performance in exams is not the only way to measure attainment. The LGBF also reports on the percentage of 16 to 19 year-olds in work, training or learning which has increased year on year since first measured in 2015/16.

Some councils have done well to improve attainment

109. We reported last year that there is variation in education performance that cannot be explained by deprivation. This is still the case. This year we have considered how councils' performance has changed since 2011/12. All councils have improved their performance despite a reduction in spend. But some councils have improved considerably faster than others and the gap between the best and worst performing council has widened ([Exhibit 10, page 42](#)):



Average Tariff Score

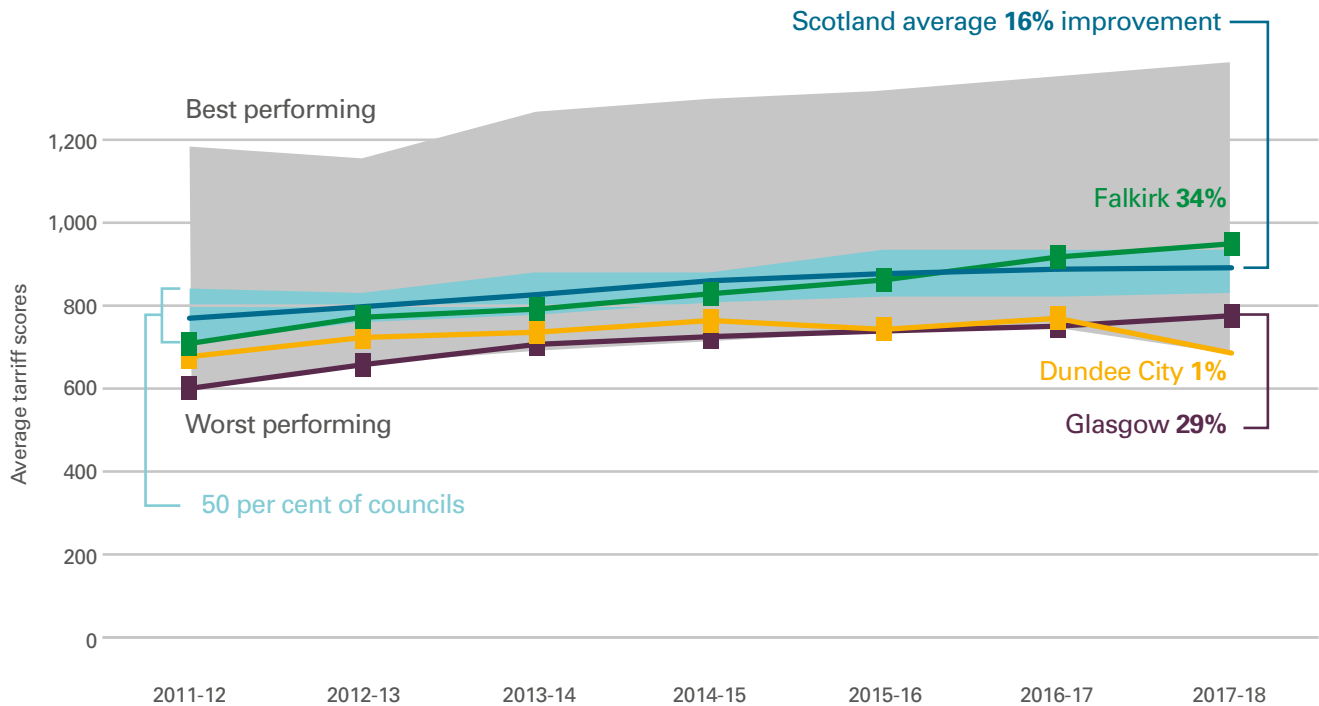
Is an overall measure of secondary attainment, taking account of all qualifications a pupil earns from age 14 until leaving school.

Tariff scores strongly reflect the total number of subjects studied which may not reflect curriculum decisions taken by the council.

Exhibit 10

Improvement in average tariff score 2011/12 to 2017/18

All councils have seen an improvement to their overall tariff scores despite reducing budgets but the gap between best and worst performing has increased.



Note: As leaver information is not available when the LGBF publishes its data, the LGBF uses data based on the year pupils are expected to leave school rather than the actual year they left. This means there are some small differences between it and data published by the Scottish Government later in the year.

Source: Local Government Benchmarking Framework 2017/18




- Falkirk Council's attainment has improved by 34 per cent since 2011/12. It is now in the top quartile for attainment, whereas in 2011/12 it was in the bottom quartile.
- Glasgow City Council has seen a 29 per cent improvement in their tariff scores although it remains in the bottom quartile.
- Dundee City Council has seen only a one per cent improvement in its tariff scores since 2011/12. It had a ten per cent drop in tariff score in 2016/17 which affected the overall trend. It has been in the bottom quartile since 2011/12.

110. The reasons behind why Glasgow and Falkirk have seen big improvements in attainment and Dundee has not, cannot be explained simply by the amount spent on education nor levels of deprivation:

- Dundee City Council spends more than the Scottish average per secondary pupil while Falkirk and Glasgow spend less.
- Both Dundee and Glasgow City councils have reduced their spend per secondary pupil by five per cent since 2011/12, a bigger reduction than the

Scottish average of one per cent. Falkirk Council has reduced spend per pupil by one per cent.

- All three councils have high levels of children living in families with limited resources compared to the Scottish average of 20 per cent. Dundee City and Falkirk have similar levels, 26 per cent and 27 per cent respectively. Forty-one per cent of children in Glasgow live in families with limited resources.^{36, 37}
- Dundee City Council reports that the drop in tariff scores in 2017/18 is due primarily to a higher than usual number of children leaving school at S4 in 2015/16.

111. This variation provides an opportunity for councils such as Glasgow and Falkirk to share what has helped them make these improvements. Our Best Value work, engagement with scrutiny partners and 2014 report on [School education](#)  suggest that the leadership and culture of the organisations have a part to play:

- We highlighted in our 2015 Best Value report on [Falkirk Council](#)  that it had good performance management arrangements and a strong improvement culture embedded in its education department.
- Our [Best Value Assurance Report: Glasgow City Council](#)  reported that targeted actions have helped improve attainment through the Glasgow Improvement Challenge. The Care Inspectorate and Education Scotland's 2017 inspection of young people's services in Glasgow found that 'strong leadership is driving an ambitious vision to improve life chances for all children and young people in Glasgow'.³⁸
- During engagement with scrutiny partners for Dundee City Council, Education Scotland highlighted that the council will need to move from incremental to transformational change to improve attainment.³⁹ In its 2018 inspection of Dundee's Attainment Challenge progress, Education Scotland found that strong leadership and higher aspirations are beginning to improve the pace of change. It also highlighted strong use of data and collaboration with Dundee University to help understand the pupils' needs and improve attainment.⁴⁰

112. In February 2019, Education Scotland rated Renfrewshire Council excellent in its inspection of the Scottish Attainment Challenge. It found that highly effective leadership and governance and evidence-based interventions had led to significant year-on-year improvements in closing the gap between attainment of the most and least deprived pupils.

113. We will be carrying out an audit on educational outcomes in 2019/20 which will consider the reasons for variation in attainment.

There is evidence that spending reductions and increasing demand are impacting on some services

Social care services continue to struggle to meet demand

114. Adult social care remains one of the largest areas of spend for councils and the demand for services will continue to increase as the population ages. Older



Do you know the impact of spending reductions on the services your council provides?

people in need of support are either cared for in their home by visiting care workers or in a residential care home. This care is given by a range of different providers. In 2017:

- Most care home residents were cared for by the private sector, 80 per cent, while the NHS and councils cared for 11 per cent of residents and the third sector nine per cent.⁴¹
- The private sector also provided most homecare hours, 42 per cent, councils provided 41 per cent, the third sector six per cent and a mixture of providers 11 per cent.⁴²

115. We continue to see signs that services are struggling to meet the demand for care. We reported in December 2018, that there has not yet been enough progress to address the scale of challenges with social work in Scotland and there are some outstanding areas where action is needed. In 2017/18, the number of hours of personal care at home is at the highest level since 2010/11. Between 2016/17 and 2017/18, councils have spent more on both home care and residential care, this has increased at a faster rate than the people who are cared for. This is in part due to those receiving care having increasing levels of need, as well as the payment of the living wage and overnight allowances to social care workers.

- Total spending on homecare has increased by 3.1 per cent despite only a 0.1 per cent increase in the number of hours of homecare.
- Net spending on residential care homes increased by 1.2 per cent despite a 0.6 per cent reduction in the number of residents.

116. Both satisfaction indicators in the LGBF data show a substantial drop in satisfaction with social care services. Eighty per cent of adults who receive care are satisfied with it and feel it improves or maintains their quality of life. This is down from 84 and 85 per cent respectively and is the lowest since it was first recorded in 2014/15.

117. We reported last year that local inspections raised concerns about the ability of the City of Edinburgh and Scottish Borders councils to meet the demand from older people and the quality of care provided. A progress review of the City of Edinburgh Council's services for older people found that limited progress had been made towards improving the outcomes for many older people. They and their carers were unable to get help even when their needs were critical, and often had to wait lengthy periods for the care they needed. In April 2018, there were 1,500 people in the community waiting for an assessment, waiting an average of 50 days.

118. The Care Inspectorate has also carried out follow-up inspections of Eilean Siar and Aberdeen City Councils and a full inspection of Renfrewshire Council's adult services. It found that progress has been made but observed issues around staff recruitment and retention in Eilean Siar and Renfrewshire and the capacity of care services in Aberdeen.



How is your council adjusting to meet changing demands for care services?

How is this reflected in the performance data?

Public satisfaction is falling

119. The Scottish Household Survey reported that in 2017 public satisfaction has fallen for another year:

- 52 per cent of adults were satisfied with three public services – local health, schools and transport. This is the lowest since first measured in 2007 (57 per cent) and a reduction of four per cent since 2016.
- Satisfaction amongst schools had dropped from 79 per cent in 2007 to 70 per cent in 2017.
- Satisfaction with service users was higher than the whole population, people who had children at local schools reported 87 per cent satisfaction.

120. Less than half of councils have published a residents' or citizens' survey between 2016 and 2018. Of these, five reported a reduction in satisfaction levels compared to previous years. In their surveys many councils asked satisfaction questions about specific services or aspects of service delivery. The most frequent service-specific surveys were in relation to social care, schools and education, housing, building standards and planning, children and families services and school meals. Overall, the picture varies significantly with both increases and decreases in satisfaction levels being reported for the same service across the country.

Some councils are not meeting their statutory duties in terms of homelessness.

121. The number of homeless applications increased for the first time in nine years in 2017/18, from 34,570 households in 2016/17 to 34,972 households in 2017/18. Councils have a statutory duty to provide temporary and settled accommodation to households assessed as homeless. However, some councils have been unable to meet this obligation.

- The Scottish Housing Regulator reported in March 2018 that Glasgow City Council had failed to offer temporary or emergency accommodation to 40 per cent of the 5,377 applications it had for assistance in 2016/17. It had also provided settled accommodation to just over half of the households it had a duty to provide to.⁴³
- The Local Government and Communities Committee took evidence from the Legal Services Agency who reported up to ten cases a week where households had approached them for legal help with councils who had been unable to offer temporary accommodation.⁴⁴

122. When providing accommodation, councils must ensure that households with children or a pregnant woman do not stay in unsuitable accommodation for more than seven days. In 2017/18, there were 400 cases where the household stayed longer than this time, 280 of these were in Edinburgh, 65 in West Lothian and 20 in East Dunbartonshire.

123. Councils use temporary accommodation when a permanent home is not immediately available. Temporary accommodation is more expensive for councils to provide, impacts on existing housing stock and is not the best place for people to stay long term. However, there has been an increase in the use of temporary accommodation in recent years. In 2017/18:



Do you know what your council is doing to understand how satisfaction with different services is changing?





Is your council meeting its statutory duty to provide temporary and settled accommodation to households assessed as homeless?




- there were 10,933 households in temporary accommodation, one per cent more than in 2016/17 and 6,615 children, nine per cent more than 2016/17
- the average time spent in temporary accommodation is 204 days for families and 161 for households without children
- over 13 per cent of households in temporary accommodation spent more than a year there. In Shetland, the average time spent in temporary accommodation was over a year.

124. Homelessness is a complex problem that is often the symptom of a range of different challenges. Shelter believes that the increase in homeless applications is due to the impact of welfare reform, a lack of affordable housing, an increase in people with complex needs who do not receive the support they need, and insufficient and inconsistent prevention work.⁴⁵ The Scottish Government has an objective to end homelessness, this will require a multi-agency approach. We will be reporting further on affordable housing in 2019/20 and will consider homelessness as part of the scope of this audit.

Endnotes



- 1 Local Government Finance Circulars are letters from the Scottish Government to councils. We use the letters which set out the annual funding settlement. All circulars can be found on the Scottish Government's website: <https://www.gov.scot/publications/local-government-finance-circulars-index/>.
- 2 Local Government Finance Statistics are annual statistics on council spend from returns from councils. We have not audited the information in them. They can be found on the Scottish Government's website: <https://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/PubScottishLGFStats>.
- 3 Provisional outturn and budget estimates contain initial outturn and budget information provided by councils. We have not audited the information in them. They can be found on the Scottish Government's website: <https://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance/POBESStats>.
- 4 The LGBF is published by the Improvement Service and contains over 70 cost and performance indicators for local government. It can be found here: <http://www.improvementservice.org.uk/benchmarking/explore-the-data.html>.
- 5 National Performance Framework indicators are used to measure progress against the NPF. They can be found here <https://nationalperformance.gov.scot/measuring-progress/national-indicator-performance>.
- 6 Scotland's Fiscal Outlook, Scottish Government, May 2018.
- 7 The 2018 National Performance Framework is set out at: <https://nationalperformance.gov.scot/>
- 8 [*Local government in Scotland: Financial overview 2017/18*](#) , Audit Scotland, November 2018.
- 9 [*Scotland's new financial powers briefing paper*](#) , Audit Scotland, October 2018.
- 10 Projected cost pressures for Scottish local government, Improvement Service, 2018.
- 11 *Securing the future of health and social care to the 2030s*, Institute of Fiscal Studies, May 2018.
- 12 *Health and Social care medium term financial framework*, Scottish Government, October 2018.
- 13 *Poverty and inequality in Scotland: 2014-2017*, Scottish Government, March 2018.
- 14 *Poverty in Scotland 2018*, Joseph Rowntree Foundation.
- 15 Citizens Advice, *Disconnected*, 2018.
- 16 UK Poverty 2018, Joseph Rowntree Foundation.
- 17 *Rolling out Universal Credit*, Comptroller and Auditor General, HC 1123, June 2018.
- 18 *Homelessness in Scotland 2017-18*, Scottish Government.
- 19 City of Edinburgh, Council papers, 7 February 2019.
- 20 *Financial sustainability of local authorities 2018*, Comptroller and Auditor General, HC 834, March 2018.
- 21 Ibid.
- 22 Local Authority Capital Expenditure and Receipts, England: 2017-18 Final Outturn, Ministry of Housing, Communities and Local Government.
- 23 Statement from Rob Whiteman and Richard Paver on borrowing to invest, CIPFA, October 2018.
- 24 *Workforce strategy and metrics update 2018*, Dumfries and Galloway Council, November 2018.

- 25 These figures do not include staff who are employed by arm's-length external organisations.
- 26 Royal Institute of Town Planners written submission to Local Government and Communities Committee, 2018.
- 27 Data provided by Society of Chief Officers of Environmental Health, 2019.
- 28 Public library statistics, CIPFA, 2014 and 2017/18.
- 29 [Social work in Scotland - Impact report](#) , Account Commission, December 2018.
- 30 *Tipping point*, Unison, November 2018 and *Trading safety*, Unison, May 2018. Both are reports on surveys carried out by UNISON of their members. For environmental health workers, members from 21 councils responded, for trading standards members from 29 councils. The overall number of respondents is not stated.
- 31 The full range of indicators includes unit cost and public satisfaction. These are available on the improvement services website: www.improvementservice.org.uk/benchmarking.
- 32 *National benchmarking overview report 2017-18*, LGBF, 2019.
- 33 [Accounts Commission Strategy and annual action plan 2018-23](#) , Accounts Commission, June 2018.
- 34 LGBF included educational attainment information for the first time in 2011/12.
- 35 As leaver information is not available when the LGBF publishes its data, the LGBF uses data based on the year pupils are expected to leave school rather than the actual year they left. This means there are some small differences between it and data published by the Scottish Government later in the year.
- 36 *Children in families with limited resources across Scotland 2014-2016*, The Scottish Government.
- 37 The Scottish Government, through its Attainment Challenge provides additional funding to the councils it defined as having the highest concentration of deprivation. Glasgow and Dundee are challenge authorities. The other authorities are Clackmannanshire, East Ayrshire, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire and West Dunbartonshire.
- 38 Joint inspection of services for children and young people in Glasgow, May 2017.
- 39 [Dundee City Council Local Scrutiny Plan 2018/19](#) , Audit Scotland, April 2018.
- 40 *How well is Dundee City Council improving learning, raising attainment and closing the poverty-related attainment gap?* Education Scotland, June 2018.
- 41 Care home census for adults in Scotland, 2018, NHS Scotland.
- 42 Social Care Services, Scotland, 2017, Scottish Government.
- 43 Scottish Housing Regulator, March 2018.
- 44 Local government and communities committee, Report on homelessness, February 2018.
- 45 Briefing for Scottish Government debate on ending homelessness together, Shelter, November 2018.

Local government in Scotland Challenges and performance 2019

This report is available in PDF and RTF formats,
along with a podcast summary at:

www.audit-scotland.gov.uk 

If you require this publication in an alternative
format and/or language, please contact us to
discuss your needs: 0131 625 1500

or info@audit-scotland.gov.uk 

For the latest news, reports
and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 

ISBN 978 1 911494 81 2

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 June 2018

BY: Depute Chief Executive (Partnerships and Community Services)

SUBJECT: Withdrawal from the European Union (Audit Scotland, October 2018)

11

1 PURPOSE

- 1.1 To review East Lothian Council's position in relation to the findings of the Audit Scotland report, *'Withdrawal from the European Union: Key audit issues for the Scottish public sector'*.

2 RECOMMENDATIONS

- 2.1 The Committee should:
- Note the position of East Lothian Council in regard to the key messages in the Audit Scotland report, *Withdrawal from the European Union: Key audit issues for the Scottish public sector*
 - Note the council's responses to the questions posed in the report (Appendix 1).

3 BACKGROUND

- 3.1 Audit Scotland published a report on preparations for the UK leaving the European Union (EU) in October 2018. The report, *Withdrawal from the European Union* identified key audit issues for the Scottish public sector in the run up to the assumed withdrawal on 29th March 2019.
- 3.2 A key message of the report was that, *"Uncertainty about withdrawal from the EU has created challenges for public bodies in the level of planning that they can do at this stage. Planning for leaving the EU has to be balanced with the management of other risks and uncertainties, existing*

financial and workforce pressures, and the need to maintain business-as-usual.”

- 3.3 The report considers key areas of risk for public sector bodies associated with leaving the EU – People (workforce issues), Finance and Rules and Regulations. It sets out a series of questions under these headings that all public bodies should be asking themselves in the run up to withdrawal.
- 3.4 The Council established an officer working group in late 2018 to monitor the potential impact of withdrawal on East Lothian and identify any mitigating action that the Council should undertake. The issues raised by in the Audit Scotland report were considered by the group. Appendix 1 provides a summary of how the council has responded to the questions posed by Audit Scotland.
- 3.5 Every effort continues to be made to ensure that the council takes action, where relevant and possible, to prepare for withdrawal from the EU within the context of the continuing uncertainty about the precise basis on which the UK is to withdraw.

4 POLICY IMPLICATIONS

- 4.1 This report and the appendix highlight the work that is being undertaken by the council to prepare for the UK’s withdrawal from the EU. There are no specific policy implications.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 This report is not applicable to the wellbeing of equalities groups and an Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – none arising from this report. Any financial implications of the UK’s withdrawal from the EU will be considered as part of the Council’s Financial Strategy and budget setting process.
- 6.2 Personnel – none arising from this report.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Appendix 1: East Lothian Council Response to Withdrawal from the EU Key Audit Issues

7.2 *'Withdrawal from the European Union: Key audit issues for the Scottish public sector'*, Audit Scotland, October 2018

AUTHOR'S NAME	Paolo Vestri Derek Oliver
DESIGNATION	Service Manager, Corporate Policy & Improvement Service Manager, Protective Services
CONTACT INFO	pvestri@eastlothian.gov.uk doliver@eastlothian.gov.uk
DATE	7 June 2019

**Appendix 1: East Lothian Council Response to Withdrawal from the EU
Key Audit Issues**

	Question	ELC response
People		
1	How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employee who may be affected?	<p>ELC have a robust process which involves:</p> <ul style="list-style-type: none"> • Individual letters to employees detailing how it impacts them and family members, how to apply and providing helpline numbers and details of how we will keep them up to date about the scheme. • Line Manager Briefing pack providing communications plan over application period with a copy of letter issued and details of the EUSS application process. Pack also contained Home Office guidance/ links and posters to be displayed across estate. • Call centre briefing pack explaining communications and providing application process and Home Office contact details. • Monthly 'inform' articles providing updates and reminders to live date of EUSS in March along with any update information from Home Office. • Quarterly 'Inform' articles providing updates from March onwards – These will return to monthly once EUSS deadline is confirmed from - 6 months <p>ELC have identified EU workers and capture Passport issuing country to ensure that direct mail to employees reach target audience.</p> <p>HR have consulted with the Unions and any issues raised by members will be escalated to HR to enable mitigation / communication / support and escalation to CMT.</p>

		<p>Over and above this, links and information are contained on the Council's dedicated internet page: https://www.eastlothian.gov.uk/brexit</p>
2	<p>How are we reflecting the implications of EU withdrawal in our long-term workforce planning?</p>	<p>ELC have identified areas where there is a concentration of EU workers and Service Managers are including considerations / issues and mitigation in annual workforce planning.</p> <p>ELC have implemented and continue to identify apprentice / trainee posts in positions where possible.</p> <p>ELC have investigated the option of sponsoring future workforce for non UK workers and continue to keep abreast of the Immigration Bill changes.</p>
3	<p>What are the workforce implications for the third sector and private organisations that provide services in partnership with us on our behalf?</p>	<p>The main service that would be affected by workforce implications affecting third sector and private organisations is adult care. The Health and Social Care Partnership is liaising with service providers to review possible workforce implications and take mitigating action.</p>
4	<p>Which parts of the workforce (sectors/ skills/ services/ regions) are most at risk from the impact of EU withdrawal?</p>	<p>There are no specific areas of concern within ELC.</p> <p>The areas with the largest concentration of EU workers include teaching and Social care. However, the majority of these workers have been employed with ELC for over 5 years and at this stage we are aware of a number who have applied for and received 'settled' status and managers are not aware of any issues with individuals considering leaving the UK.</p>

5	How are we reflecting the implications for the local workforce in our economic strategies?	<p>Brexit will impact on funding for training and infrastructure, business challenges and attractiveness of East Lothian for investment and tourism. We will continue to support employability initiatives via ELWorks and continue to signpost businesses to www.prepareforbrexit.scot for guidance and advice.</p> <p>The Council's Economic Development Strategy for East Lothian states: "Weaknesses are its lack of large employers, the rate of out-commuting for employment, pockets of deprivation in Musselburgh, Wallyford and Prestonpans, limited land availability for economic use in areas of high demand, and poor transport connectivity. There are also key challenges in creating skilled, well-paid employment in East Lothian, despite business creation rates. The amount of usable land for employment in East Lothian remains low, albeit addressed through the East Lothian Local Development Plan 2018, and physical and digital connectivity is also a continuing challenge. Brexit undoubtedly presents a range of labour market and trade implications, and likewise the loss of European funding. There are other challenges including responding to demographic change, town centre regeneration and boosting the rural economy, and addressing infrastructure issues."</p>
Finance		
6	What level of funding do we, and our partners, receive from the EU and through which funding streams?	EU funding provides direct support for farmers, the fishing industry, forestry, rural development and projects to encourage economic growth and development. Scotland expects to receive €5.6 billion (£5 billion) in EU funding over the

		seven-year programme period from 2014 to 2020 (The majority of this is through the Common Agricultural Policy programme (CAP), as well as European Structural Funds (ESF) and the European Maritime and Fisheries Fund (EMFF).
7	What financial risks are associated with any changes after the UK has left the EU, during and transition period and beyond?	There is little clarity about what will happen to funding streams in the longer term. Any changes to funding will affect public bodies, their partners and service users.
8	How are we reflecting the implications of EU withdrawal in our long-term financial planning?	No specific provision has been reflected within current budget plans to deal with any financial implications associated with Brexit. The potential risk of EU withdrawal has been raised within the Financial Strategy and Corporate Risk Register.
9	How can we capitalise on opportunities to access alternative funds of redesign replacement funding streams?	The Council will explore any wider opportunities where available to access & promote alternative funding streams in line with the Financial Strategy which includes the requirement to maximise income available to the Council.
Rules and Regulations		
10	What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?	The EU Withdrawal Bill will ensure that EU Procurement Regulations are transferred for the most part into UK/Scottish Regulations, so that should not have an impact. Cost and availability of products and services could be a bigger issue, especially with Foodstuffs. Scotland Excel have undertaken dialogue with suppliers on their frameworks, which include Meat/Milk/Frozen Foods in an attempt to minimise cost increases/delays.

11	What EU regulations are directly relevant to our role (e.g. monitoring compliance)?	<p>EU rules and regulations affect all public bodies, most significantly with trade and customs, which influence the cost and availability of supplies from EU countries.</p> <p>If there is a no deal exit, goods entering the UK from the EU will be subject to additional customs checks and trade tariffs. This could lead to slower deliveries and an increase in the price of goods, including food, property services materials, equipment etc.</p> <p>The EU (Withdrawal) Act 2018 has immediate implications for regulatory services within ELC: Environmental Health and Trading Standards, however it is expected impact on regulatory operations is minimal, with existing legal frameworks set to continue. Data sharing arrangements are being reviewed with other agencies, to ensure intelligence flow is not hindered.</p>
12	What impact would potential changes to regulations / legislation have on how we deliver services and our service users?	<p>There will be continuity in regulatory operations, with legal references in reports, letters etc being updated to reflect statute amendments. Foods leaving the UK will also require an export certificate. This will place an administrative burden on the Environmental Health service.</p>
13	How can we capitalise on opportunities to streamline or improve the regulatory environment?	<p>The myriad of consumer protection and business regulation legislation can be rationalised and consolidated to reflect Scotland's regulatory needs and approaches, with current EU standards used as a baseline to improve the regulatory landscape.</p>
14	How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on	<p>Through the Brexit Working Group, the Council has engaged in internal and external communications, multi-</p>

	<p>arrangements for the UK's exit from the EU?</p>	<p>agency decision-making and response arrangements.</p> <p>The Council has engaged in business continuity collaboration arrangements with local partners and neighbouring Local Authorities: via LRP/RRP.</p> <p>The Council has assessed internal essential services business continuity arrangements.</p> <p>Through the Brexit Working Group, the Council has operated a horizon-scanning and assessment system to identify, assess and respond to emerging risks, which includes a deal or otherwise at the time of exit.</p>
--	--	--

Withdrawal from the European Union

Key audit issues for the Scottish public sector



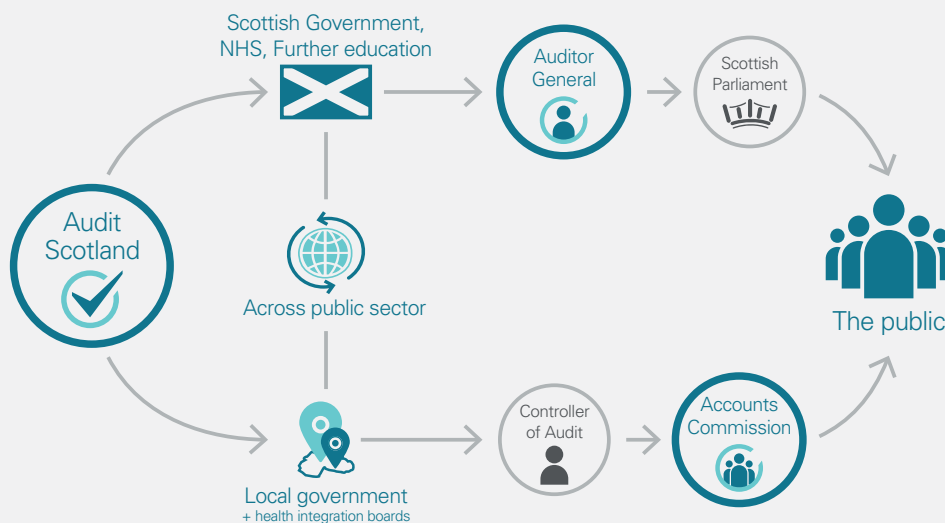
 AUDIT SCOTLAND

Prepared by Audit Scotland
October 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.


Introduction



Introduction

1. The UK will leave the European Union (EU) on 29 March 2019. If the UK Government and EU agree the terms of the UK's withdrawal before this date, there will be a transition period to the end of 2020. The UK's decision to leave the EU represents a major constitutional change for Scotland. It will affect everyone in Scotland to some degree. What these effects will be remains uncertain, but they will unfold over both the short and the long term.

2. Withdrawal from the EU comes at the same time as:

- a significant expansion of the Scottish Parliament's financial powers (see our [e-hub](#) )
- rising demand for public services, largely driven by demographic changes
- continued pressure on public sector budgets.

3. Audit Scotland, on behalf of the Auditor General for Scotland and the Accounts Commission, assesses the performance and financial management of over 220 public sector organisations in Scotland. This includes councils, NHS boards, further education colleges and central government bodies. Auditors are speaking to public bodies about how they are responding to the UK leaving the EU. This paper:

- presents our view of the key issues that withdrawal from the EU presents to the public bodies we audit, as at October 2018
- suggests questions that all public bodies should be asking themselves in the five months to 29 March 2019
- sets out our current plans to reflect withdrawal from the EU in our audit work.

We set out the key issues under three themes:



People
(page 6)



Finance
(page 10)



Rules and regulations
(page 13)



4. The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. We expect all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

5. Uncertainty about withdrawal from the EU has created challenges for public bodies in the level of planning that they can do at this stage. Planning for leaving the EU has to be balanced with the management of other risks and uncertainties, existing financial and workforce pressures, and the need to maintain business-as-usual. As the details of the UK's withdrawal from the EU and its effects become clearer, we expect public bodies' preparations and response to intensify. Some public bodies may require additional capacity to allow them to react once arrangements for leaving the EU are agreed.

The Scottish Government's role

6. The Scottish Government is coordinating its approach to EU withdrawal through its Constitution and Europe programme. It is made up of eight workstreams, covering areas such as workforce, trade and legislation. It also monitors risks and readiness for EU withdrawal across the Scottish Government. The Scottish Government has identified the most significant challenges as its capacity and capability, financial implications and the ability to influence decisions taken by both the UK Government and the EU.¹

7. Discussions between the Scottish and UK governments are particularly critical in areas where devolved issues (such as the NHS workforce) interact with reserved issues (such as migration policy). The National Audit Office (NAO) is reporting on how the UK Government is organising itself to deliver the UK's exit from the EU. Most recently, it reported on preparations in the Department for Environment, Food and Rural Affairs and the Department for Transport. It found that both departments face considerable challenges and have more contingency planning to do in case the UK and EU do not agree withdrawal arrangements.² Any lack of readiness at the UK level for withdrawal from the EU will have an impact in Scotland.

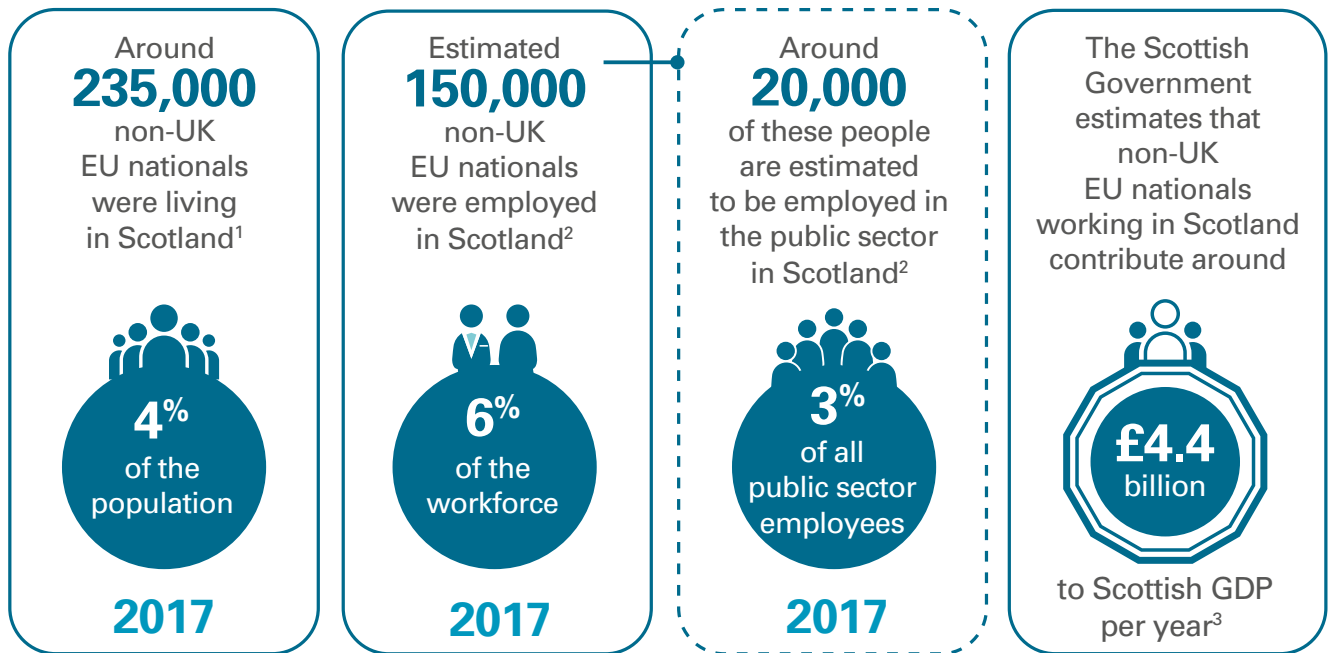
8. The Cabinet Secretary for Government Business and Constitutional Relations updated the Scottish Parliament on the progress of the EU negotiations in June 2018. He stated that the Scottish Government was *"intensifying its preparations for all exit possibilities in order to support the Scottish economy and our key sectors in what are and will continue to be very uncertain times"*.³ In September 2018, the Cabinet Secretary provided a further update to the Parliament, stressing the scale of work required for leaving the EU, even with an agreement between the EU and the UK Government.⁴

9. The Scottish Government is working with public bodies to understand how they are preparing for the UK leaving the EU, and to identify and mitigate any potential risks. The UK Government allocated £37.3 million to the Scottish Government for 2018/19 to manage funding pressures resulting from EU withdrawal. This is a one-off payment to help manage short-term pressures. A large proportion of this money has been allocated to fund additional staff to help the Scottish Government and public bodies prepare for EU withdrawal.

10. The Permanent Secretary concluded in her latest governance statement that all Directors General are working to ensure that the Scottish Government are "*as prepared as possible*" for EU withdrawal, but added that she was not yet fully assured of readiness given that the "*terms and timings remain subject to significant uncertainty*".⁵

11. The most significant issue for the Scottish Government and the wider public sector is the impact of withdrawal from the EU on the Scottish economy. The Scottish Government's medium-term financial strategy, published in May 2018, suggests that withdrawal from the EU will have a greater effect in Scotland than in the rest of the UK.⁶ That would have a negative effect on the Scottish budget which now depends directly on Scotland's economic performance relative to the rest of the UK.

People



Notes:

1. *Population by Country of Birth and Nationality (2017)*, National Records of Scotland, May 2018.
2. *Non-UK nationals in Scotland's workforce: Statistics from the Annual Population Survey 2017*, Scottish Government, June 2018.
3. *The Contribution of EEA Citizens to Scotland*, Scottish Government, November 2017.

People

12. People coming to Scotland to work make an important contribution to the working-age population and to economic growth. The UK's exit from the EU is likely to result in changes to the rights of non-UK EU nationals to live, work, study and access services in the UK. This may result in people leaving Scotland or choosing not to move here, because they or their family members are non-UK EU nationals. This presents a challenge to the public sector workforce, which is already facing staffing and service pressures that will intensify as the working-age population decreases.

13. It has been difficult to assess the scale of the risk, as data on the nationality of employees in individual public bodies is not routinely collected. However, some figures are available, for example:

- The Scottish Government estimates that 4.4 per cent of the total health and social care workforce in Scotland are non-UK EU nationals (around 17,000 people).⁷

- Scottish Care estimates that between six and eight per cent of the workforce in the independent social care nursing sector in Scotland are from a non-UK European Economic Area (EEA) country (which includes all EU member states plus Iceland, Norway and Liechtenstein).⁸
- General Medical Council data shows that almost six per cent of doctors working in Scotland obtained their primary medical qualification in a non-UK EEA country.⁹
- Universities Scotland estimate that 11 per cent of all staff across the 19 higher education institutions it represents are non-UK EU nationals.

14. Some organisations are already seeing a reduction in the number of non-UK EU nationals applying to work in the UK and Scotland. This will exacerbate existing recruitment and retention difficulties, including high vacancy rates and skills gaps in specific sectors and geographic locations. For example:

- The Nursing and Midwifery Council reported an 87 per cent decrease in the number of nurses and midwives from non-UK EEA countries registering to work in the UK between 2016/17 and 2017/18.¹⁰
- A British Medical Association survey of members across the UK in 2018 found that 57 per cent of respondents reported a decline in applications for positions in their departments from non-UK nationals since the 2016 vote to leave the EU.¹¹
- The General Teaching Council for Scotland reported that 14 teachers who qualified in non-UK EU countries applied to work in Scotland in the first half of 2018, which is when the bulk of applications are usually received. This compares to a total of 186 applications in 2017.¹²

15. Scottish universities attract many students from other EU countries who stay on to work in Scotland after graduation. Almost nine per cent of students enrolled in Scotland for the academic year 2016/17 were non-UK EU nationals.¹³ The proportion of non-UK EU students varies between institution, so any decrease in enrolments to study in Scotland will affect each college and university differently. Non-UK EU students in Scotland are more likely to study science, technology, engineering and mathematics than students from the UK. A reduction in the number of non-UK EU nationals studying in Scotland could widen skills gaps in the workforce that will be vital to future economic performance.

16. Public bodies are working to understand the immediate and longer-term implications of EU withdrawal on their workforces. The first step for many is understanding how many non-UK EU nationals they employ and in which areas. For example, City of Edinburgh Council has done extensive work on this ([Case study 1, page 8](#)). The Scottish Government and COSLA are working with NHS boards, councils and other public bodies to draw together information on their workforces. This will be used to assess the potential impact of EU withdrawal on the delivery of services.

17. Councils, NHS boards and other public bodies are increasingly working in partnership with third sector and private organisations to deliver services, so it is important that they understand the potential impact of EU withdrawal on these organisations and their workforces.

Case study 1

City of Edinburgh Council



There are more than 39,000 people from non-UK EU countries in Edinburgh, more than any other city in Scotland. Since June 2017, City of Edinburgh Council has been working to identify how many non-UK EU nationals it employs directly. The data it has collected to date shows that 5.5 per cent of its current workforce are non-UK EU nationals, just over 1,000 employees.

Around 70 per cent of these people are employed in the communities and families department (including teachers, learning assistants and nursery nurses) and the health and social care department (including social workers and care and support workers). The council is using this information to help inform its long-term workforce planning.

The council is providing support and advice to colleagues who may be directly affected by the decision to leave the EU. This includes sharing up-to-date information on the rights of EU nationals to live and work in the UK after 29 March 2019, and the steps employees may need to take if they wish to continue working in the UK. The council is providing tailored guidance for managers to share with their teams. It is also developing measures to support colleagues whose family members may be affected by EU withdrawal.

COSLA has adopted the approach taken by City of Edinburgh Council to collect workforce data from other councils.

Source: City of Edinburgh Council

18. Councils and public bodies are also concerned about the potential impact on local economies. Sectors such as agriculture, fishing, food, tourism and hospitality are highly dependent on workers from outside Scotland. They fill important roles in local businesses, including providing seasonal work and filling vacancies in remote and rural locations. Some of these sectors are already reporting a decrease in their non-UK EU workforce, which could affect the economic growth of specific regions and Scotland more widely. Councils should be considering the potential impact of EU withdrawal on the local workforce in their planning for economic growth. For example, City of Edinburgh Council's five-year economy strategy highlights the potential economic effects and action the council is taking to maximise opportunities and mitigate risks. It recognises that it will need to regularly review the strategy to ensure that it can respond appropriately as the terms and impacts of EU withdrawal become clearer.

19. Highlands and Islands Enterprise undertakes quarterly surveys with businesses, community groups and social enterprises on the region's economy. Since 2016, this has included questions on the impact of the UK leaving the EU. The results show that businesses are concerned about the implications for workforces, skills and the free movement of people. The Scottish Government continues to work with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and others to explore ways to attract and retain people with particular skills to work in specific sectors or regions.

Key questions for public bodies

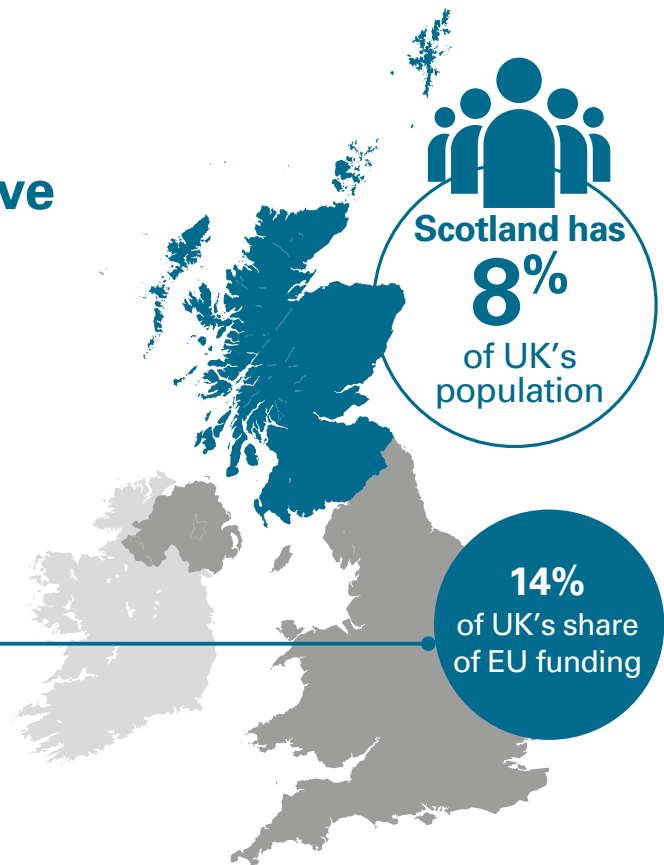
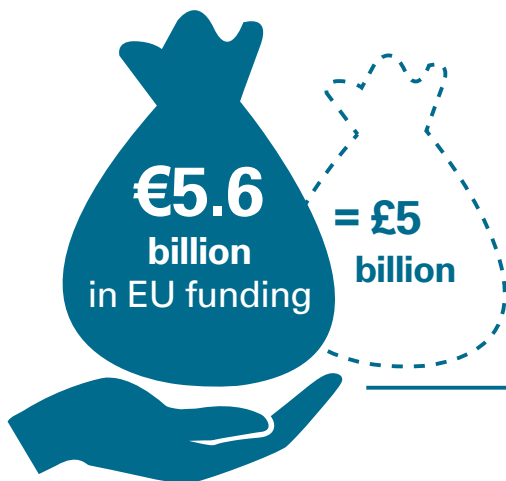


- How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?
 - How are we reflecting the implications of EU withdrawal in our long-term workforce planning?
 - What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?
 - Which parts of the workforce (sectors/skills/services/regions) are most at risk from the impact of EU withdrawal?
 - How are we reflecting the implications for the local workforce in our economic strategies?
-

Finance



Between 2014 and 2020,
Scotland expects to receive



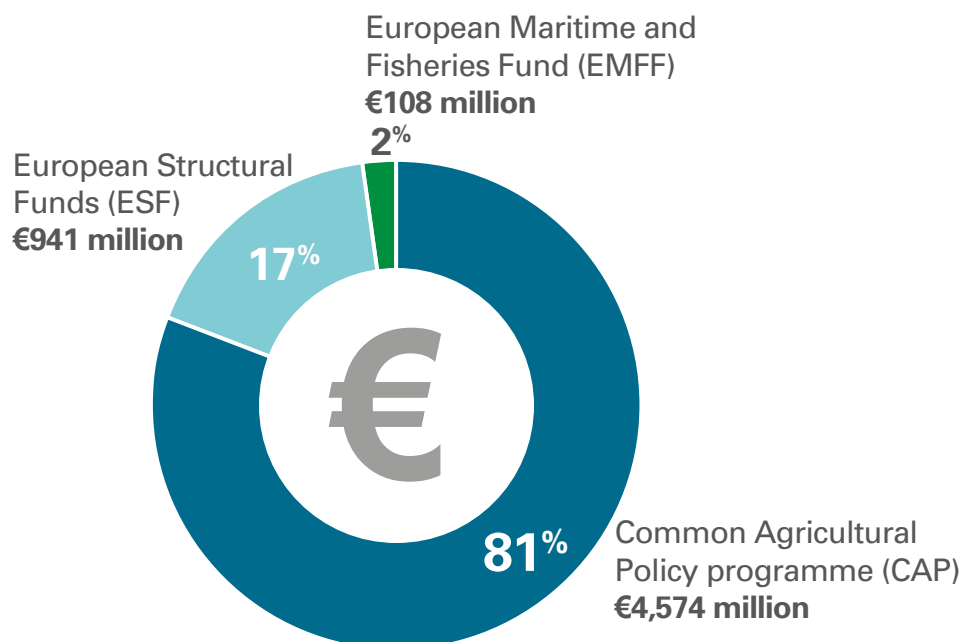
Notes: *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018; *European Union Funding in Scotland 2014-2020*, Scottish Parliament Information Centre, November 2016.

Finance

20. EU funding provides direct support for farmers, the fishing industry, forestry, rural development and projects to encourage economic growth and development. Scotland expects to receive €5.6 billion (£5 billion) in EU funding over the seven-year programme period from 2014 to 2020 ([Exhibit 1, page 11](#)).¹⁴ The majority of this is through the Common Agricultural Policy programme (CAP), as well as European Structural Funds (ESF) and the European Maritime and Fisheries Fund (EMFF).

Exhibit 1

EU funding for Scotland 2014–20 (€m)



Source: Scottish Parliament Information Centre

21. The CAP programme provides financial support to farmers, crofters and rural businesses. CAP payments are delivered through the Scottish Government, Forestry Commission Scotland and Scottish Natural Heritage. The UK Government has guaranteed that it will provide the same 'cash total in funds for farm support' until the end of the current UK Parliament, expected in 2022.¹⁵ This guarantee applies to the whole of the UK. Both the UK and Scottish governments have set out proposals for how financial support to agriculture might work outside of the EU.¹⁶

22. ESF comprises two funds – the European Regional Development Fund and the European Social Fund. ESF supports a range of economic development activity undertaken and supported by public bodies such as the Scottish Government, councils, the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise and Highlands and Islands Enterprise, Transport Scotland and Visit Scotland. Activities funded through ESF include skills and training, support to businesses, and infrastructure development. In July 2018, the UK Government confirmed that it would guarantee funding until the end of 2020, even if an agreement with the EU is not reached. The UK Government has also set out initial proposals for a Shared Prosperity Fund to replace ESF.

23. There is little clarity about what will happen to funding streams in the longer term. Any changes to funding will affect public bodies, their partners and service users. Public bodies should be assessing the potential implications of the loss of any EU funding and reflecting this in their long-term financial planning.

24. Scottish organisations can also bid for funding for specific projects, usually with partners from other EU member states. One example of this is Horizon 2020, which supports research and innovation. By July 2018, Scottish organisations were participating in Horizon 2020 projects worth around €533 million (£469 million), nearly three quarters of which (€386 million) was secured by Scottish universities.¹⁷ Universities Scotland estimates that, in the academic year 2014/15, EU research funding represented nearly ten per cent of all funding for research in Scottish universities. There is uncertainty around the future of this funding and also the participation of Scottish institutions in European research programmes, collaborative projects and academic networks.

25. EU funding streams are dedicated to specific activities and can be targeted at specific geographic areas. This may not be the case in the future. For example, if any replacement funding is incorporated into the Scottish Government's block grant, it will be for the Scottish Government to decide whether or not to protect funding that is currently ring-fenced for specific activities or areas.

26. The existing systems for EU funding for agricultural support and encouraging economic growth have been characterised by applicants as having overly bureaucratic application processes that can discourage applications and require demanding levels of reporting and audit. Developing alternative future systems may provide an opportunity to streamline these systems and tailor them to specific UK and Scottish priorities.

Key questions for public bodies



- What level of funding do we, and our partners, receive from the EU and through which funding streams?
 - What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?
 - How are we reflecting the implications of EU withdrawal in our long-term financial planning?
 - How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?
-

Rules and regulations



The UK Government has identified:



Note: 1. *Statistics on UK-EU trade*, House of Commons Library, UK Parliament, July 2018.

Rules and regulations

27. EU rules and regulations affect all public bodies. Perhaps the most significant are trade and customs rules, which influence the cost and availability of supplies from EU countries. Any changes to these rules will have implications for public bodies that use products or services sourced from the EU. If the UK Government and the EU do not agree trade arrangements before the end of March 2019, goods entering the UK from the EU will be subject to additional customs checks and trade tariffs. This could lead to slower deliveries and an increase in the price of goods, such as food. Around 30 per cent of food eaten in the UK comes from the EU and the average tariff on non-EU food imports is 22 per cent.¹⁸ Any increase in food prices will affect the budgets of schools, hospitals and prisons.

28. Public bodies may see an increase in the cost and availability of other essential goods and services. For example, it could take longer and be more expensive for NHS boards to access medicine or medical equipment. The EU accounts for 25 per cent of global medicine sales. Under EU rules, the NHS can buy medicines from EU countries where they are available at a lower price than in the UK.¹⁹ Changes to these trade arrangements could increase costs for the NHS. Any delays caused by additional customs checks would have a significant impact

on imported products with a limited lifespan, such as radioisotopes that are used to treat cancer. If import regulations for radioactive materials, and other medical supplies, are not agreed by the time the UK leaves the EU, access to essential products could be affected. The extent of the impact on public bodies will depend on the final trade and customs agreement between the UK Government and the EU.

29. All public bodies have to comply with EU regulations, such as employment law, health and safety legislation and procurement rules. The EU (Withdrawal) Act 2018 means that from 29 March 2019, EU law will no longer take precedent over UK law. The Act copies most European law into UK law meaning that, in many practical senses, the existing legal framework will continue. Where regulations translate into UK and/or Scottish law, the impact is expected to be minimal. The UK Government intends to retain temporary control of 24 devolved policy areas once the UK has left the EU, until UK-wide frameworks for regulating these areas are developed.²⁰ These policy areas include agriculture and fisheries, the environment, food safety standards and public procurement.

30. The EU (Withdrawal) Act 2018 has immediate implications for bodies that regulate compliance with EU legislation, for example, regulatory bodies such as Food Standards Scotland ([Case study 2, page 15](#)) and the Scottish Environment Protection Agency (SEPA). SEPA estimates that the majority of environmental legislation will continue to apply once the UK leaves the EU, subject to minor amendments, although some areas will require more substantial amendments, such as the emissions trading scheme.

31. Recognition of professional qualifications from other EU member states helps to attract EU workers to Scotland, filling skills gaps and vacancies across the public sector. Removing this arrangement could make it more difficult for non-UK EU nationals to get jobs in some sectors, exacerbating existing recruitment and retention issues. BMA Scotland suggests that it could slow down the recruitment process or act as a deterrent to people considering working in the health sector in Scotland.²¹ It is also likely to affect academic staff in universities.

32. Changes to the UK's membership of data and intelligence sharing organisations may also affect Scottish public bodies. For instance, Police Scotland can share information with law enforcement agencies in other EU countries through Europol. If Police Scotland are unable to continue sharing and accessing vital information, it may hinder criminal investigations.

33. In the long term, changes to rules and regulations could provide opportunities to put in place amendments or create legislation that better reflects Scottish needs and approaches. There could also be opportunities to improve standards and regulatory processes.

34. If the UK Government and EU fail to agree arrangements for the UK's exit from the EU, there will be no transition period and organisations will need to respond immediately. With only five months until the UK leaves the EU, there is an increasingly urgent need for public bodies to identify the risks associated with this scenario. It is critical that public bodies have contingency plans in place to allow them to manage these risks and respond rapidly in the event of the UK leaving the EU with no transition period.

Case study 2



Food Standards Scotland

Minimum standards for the majority of food law are set at an EU level. Food Standards Scotland (FSS) implements and monitors EU and Scottish regulations in certain food businesses. It also assesses the performance of Scottish councils in regulating other food and animal feed businesses. The UK Government has indicated that UK-wide frameworks may be needed for the devolved areas that FSS leads on, once the UK leaves the EU. FSS is currently working with the other administrations in the UK in this area, under agreed principles. Any impacts on devolved competence could have implications for FSS's role and responsibilities, service delivery and service users in the immediate and longer term.

Given the scale of the potential impact, FSS has established a dedicated programme to coordinate its work on EU withdrawal. It has developed a risk register to consider and assess the implications of EU withdrawal in detail. A key risk identified by FSS is potential disruption to supply chains. Failure to agree a deal with the EU concerning food coming from the EU could affect the supply of food to and from Scotland. FSS is working to mitigate these risks by:

- engaging with stakeholders to understand the requirements for future infrastructure, such as resources, facilities and systems for import and export activity
- commissioning a project with partners to understand trade flows to help inform potential future requirements
- engaging with councils on the practical implications of any future changes to how supply chains may operate, to ensure effective enforcement of food law and regulations.

Source: Food Standards Scotland

Key questions for public bodies



- What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?
- What EU regulations/legislation are directly relevant to our role (eg, monitoring compliance)?
- What impact would potential changes to regulations/legislation have on how we deliver services and our service users?
- How can we capitalise on opportunities to streamline or improve the regulatory environment?
- How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?

Future work



Future audit work

35. The impact of EU withdrawal on the public sector will feature in audit work for the foreseeable future. In the short term, auditors will assess and report on public bodies' response to withdrawal from the EU as part of the 2018/19 annual audits, which will be completed in 2019.

36. Planned performance audits will consider the impact of withdrawal from the EU, where relevant. In 2019, this is likely to include:

- Local government in Scotland: Challenges and performance
- NHS in Scotland
- NHS workforce
- Scotland's colleges
- Higher education finances
- Skills, planning and investment

37. Our longer-term work programme, for the five years from 2019/20, will include specific performance audits on arrangements following withdrawal from the EU.

Contact

38. If you would like to find out more about our work on EU withdrawal, please get in touch with your auditor, or contact:

- Mark Roberts: mroberts@audit-scotland.gov.uk
- Kirstin Scott: kscott@audit-scotland.gov.uk
- Rebecca Seidel: rseidel@audit-scotland.gov.uk

Endnotes



- 1 *Scottish Government consolidated accounts 2017/18*, Scottish Government, September 2018.
- 2 *Department for Environment, Food and Rural Affairs: Progress in implementing EU exit*, National Audit Office, September 2018 and *Department for Transport: Implementing the UK's exit from the European Union*, National Audit Office, July 2018.
- 3 *Official Report*, Scottish Parliament, 19 June 2018, column 16.
- 4 *Official Report*, Scottish Parliament, 11 September 2018, column 17.
- 5 *Scottish Government consolidated accounts 2017/18*, Scottish Government, September 2018.
- 6 *Scotland's Fiscal Outlook: The Scottish Government's Five Year Financial Strategy*, Scottish Government, May 2018.
- 7 *Non-UK nationals in Scotland's workforce: Statistics from the Annual Population Survey 2017*, Scottish Government, June 2018.
- 8 *Leaving the European Union (Impact on Health and Social Care)*, Scottish Care evidence to the Scottish Parliament's Health and Sport Committee, March 2018.
- 9 *General Medical Council submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, General Medical Council, January 2018.
- 10 *The Nursing and Midwifery Council register*, Nursing and Midwifery Council, March 2018.
- 11 *BMA quarterly survey, current views from across the medical association*, Quarter 2: 2018, British Medical Association, July 2018.
- 12 *Qualified Outside of Scotland Registrations (EU Only): GTC Scotland Statistics*, General Teaching Council for Scotland, July 2018.
- 13 *Higher Education student enrolments by domicile (2012/13-2016/17)*, Higher Education Statistics Authority, 2018.
- 14 Euro to sterling conversion as at 25 September 2018.
- 15 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018.
- 16 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018; *Stability and simplicity: proposals for a rural funding transition period*, Scottish Government, June 2018.
- 17 *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018.
- 18 *Brexit: food prices and availability*, European Union Committee, House of Lords, May 2018.
- 19 *Leaving the EU: Implications for health and social care*, Scottish Parliament Information Centre, January 2018.
- 20 *Frameworks analysis: breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland*, UK Government, March 2018.
- 21 *BMA Scotland submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, BMA Scotland, 2018.

Withdrawal from the European Union

Key audit issues for the Scottish public sector

This report is available in PDF and RTF formats, along with a podcast summary at:

www.audit-scotland.gov.uk 

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500

or info@audit-scotland.gov.uk 

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

T: 0131 625 1500 E: info@audit-scotland.gov.uk 

www.audit-scotland.gov.uk 