



## MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 17 SEPTEMBER 2019  
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

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### Committee Members Present:

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

### Council Officials Present:

Mrs A Leitch, Chief Executive  
Mr A McCrorie, Depute Chief Executive  
Ms M Patterson, Depute Chief Executive  
Mr J Lamond, Head of Council Resources  
Mr T Reid, Head of Infrastructure  
Ms S Fortune, Chief Operating Officer - Finance  
Ms A Glancy, Principal Accountant (Financial)  
Ms L Craig, Finance Officer  
Mr P Vestri, Service Manager – Corporate Policy & Improvement  
Mr J Coutts, Service Manager – Community Housing & Homelessness  
Mr S Allan, Senior Auditor  
Mr P Moore, Senior Auditor  
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer  
Mr B Farnsworth, General Manager, Musselburgh Racecourse  
Mr D Kennedy, Financial Controller, Musselburgh Racecourse  
Mr S Cooper, Team Manager Communications  
Ms R Crichton, Committees Officer

### Clerk:

Miss F Currie

### Visitors Present:

Ms G Woolman, Audit Scotland  
Ms E Scoburgh, Audit Scotland  
Mr G Strachan, Lothian Valuation Joint Board  
Mr B Brown, Lothian Valuation Joint Board  
Mr G Elliot, Lothian Valuation Joint Board

### Apologies:

Councillor S Currie  
Councillor G Mackett

**Declarations of Interest:**

Item 11 - Councillor Mackie declared an interest as a member of MRAC.

Item 11 - Councillor McLeod declared a non-financial interest.

**URGENT ITEM OF BUSINESS (STANDING ORDER 5.2)**

**Election of a Depute Convener**

The Convener announced an urgent item of business. The Clerk informed the Committee of the requirement to elect a Depute Convener and invited nominations from Members. The Convener proposed Councillor Mackie and this was seconded by Councillor Hoy. The Members agreed unanimously to elect Councillor Mackie as Depute Convener of the Audit & Governance Committee.

**1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 18 JUNE 2019**

The minutes of the Audit and Governance Committee meeting held on 18 June 2019 were approved as a true record, subject to one amendment:

- **Item 8** – Councillor McLeod requested that paragraph 4 be amended to reflect that he had asked the questions on non-recurring costs.

**2. INTERNAL AUDIT REPORT – SEPTEMBER 2019**

A report was submitted by the Depute Chief Executive (Resources & People Services) informing the Committee of Internal Audit reports issued and follow-up work completed since the last meeting of the Committee and providing an update on the progress against the 2019/20 annual audit plan.

Stuart Allan, Senior Auditor, presented the report outlining the purpose of the audits and indicating that as a result of this work an assessment of 'moderate assurance' had been provided for all three audits. Mr Allan, along with Senior Auditor Peter Moore, summarised the main findings of each audit, highlighting areas with scope for improvement. Officers responded to questions from Members.

**Creditors (Duplicate Payments)**

Sarah Fortune, Chief Operating Officer – Finance, provided clarification of the work undertaken during the audit. She confirmed that while the system did generate an error message when the same invoice number was entered more than once, staff were able to override this which had resulted in cases of duplicate payments. However, guidance was in place and managers were encouraged to conduct spot checks and address any issues promptly. There had been recruitment issues within the Finance team but a new staff member would be in post shortly. Enhanced staff training would be undertaken and discussions were underway regarding support and training for Unified Business Support (UBS) staff.

Ms Fortune advised that it was the responsibility of individual service areas to ensure that their staff followed the guidance relating to the procurement of goods and services. All but one of the duplicate payments identified by the audit had been recovered and processes were in place to deal with any future cases. Referring to the software

system, Great Plains, Ms Fortune indicated that discussions were ongoing regarding a possible replacement and the timing of this work had yet to be agreed.

Mr Moore added that staff were working to recover the duplicate payment that remained outstanding.

### **Area Partnerships**

Mr Allan reported that as part of the audit work the team had reviewed six project applications which had been considered by different Area Partnerships (APs). For four of these, the funding decisions had been made at AP meetings and in the remaining two cases, the decisions were made following e-mail correspondence. One of these had been considered by a sub-group and the sub-group's summary paper had been e-mailed to the partnership's members. In the last case, all documentation had been provided to members by e-mail. While Standing Orders allowed for alternative means, Mr Allan said he would prefer to see all significant decisions being taken at AP meetings.

Members raised questions around the issue of conflicts of interest, particularly where both bodies were involved in considering a project or planning application. Mr Allan referred to the guidance which was already available to Elected Members and indicated that it was a matter of personal judgement. He added that in the examples reviewed as part of the audit, it was the officers rather than the Elected Members who had had conflicts of interest and that Management had agreed to prepare appropriate guidance covering conflicts of interest. Mr Allan reiterated that AP members would require to use personal judgement when considering whether a conflict of interest arose, however where members had a personal interest in an application being considered, his view was that they should always err on the side of caution.

Angela Leitch, Chief Executive, stated that training and guidance on decision-making and conflicts of interest was provided to all Elected Members and particularly those who were members of the Planning Committee. She suggested that Elected Members who sat both on an Area Partnership and the Planning Committee should reserve judgement and avoid expressing views on applications before they were presented for consideration at the Committee.

Referring to the application process, Mr Allan pointed to one of the recommendations of the audit which required Area Partnerships to clearly demonstrate how projects might best meet local priorities and provide a clear rationale for their decision-making.

Mrs Leitch said that Area Partnerships needed to move to evidence-based decision-making. She acknowledged that many groups were passionate about particular projects but each partnership, as a body, should be objective. She also suggested that existing guidance to Elected Members could be enhanced.

The Convener thanked officers for the audit report. Referring to the five year review of Area Partnerships, she suggested that any lessons which helped the Partnerships to build on previous successes would be welcome.

### **Purchase Cards**

Mr Allan advised that while there had been no examples of inappropriate expenditure found during the audit, there were several cases where staff should have used alternative purchasing options and a small number of cases where no receipts or invoices could be located. He explained that around 350 purchase cards had been issued across the Council, excluding school fund purchase cards, and in many cases there were good reasons for their use. However staff needed to ensure that cards were

only used where no other purchasing options existed. Mr Allan advised that the purchase cards guidelines stated that when procuring goods or services, employees should use Pecos or Council contracts in the first instance. Purchase cards were intended for ad-hoc or emergency purchases and in some cases could eliminate the need for petty cash. He confirmed that a number of important changes were currently being made to purchase cards and that these would help address some of the audit recommendations.

Ms Fortune advised that the Council consistently reviewed the number and use of purchase cards. This review process was now mandatory and managers were required to provide a robust business case for continued use of these cards. She also highlighted the forthcoming review of the Purchase to Pay system which would be likely to have additional implications for the future use of purchase cards.

Mr Allan then took the Committee through the findings in respect of Internal Audit's recommendations made in previously issued audit reports for five areas (Homelessness, Overtime, Complaints Handling Procedure, Council Tax Liability, and IT Access Controls). He informed Members that, in four of the five reports, all of the recommendations had been implemented. Of the 6 recommendations made following the audit on Council Tax Liability, 3 had been implemented and 3 partially implemented and revised completion dates had been provided.

Mr Allan also drew attention to the Internal Audit progress report for 2019/20 and advised that the team had also been completing work on the previous year's audit plan. He added that one audit remained outstanding from 2018/19 and that it, along with further audits from the 2019/20 plan, would be presented to the Committee's November meeting.

Gillian Woolman from Audit Scotland welcomed the comprehensive report from Internal Audit. She said that Audit Scotland relied on these assessments on the effectiveness of internal controls to support its own audit function and that the areas identified for review under the current audit plan would be built in to Audit Scotland's planning process for 2019/20.

Alex McCrorie, Depute Chief Executive, welcomed the comments from Ms Woolman and reiterated that the final outstanding audit report from 2018/19 would be presented at the next Committee meeting.

The Convener echoed the previous remarks stating that she always found the Internal Audit reports extremely useful.

## **Decision**

The Committee agreed to note:

- (i) the main findings and recommendations from Internal Audit reports issued during the period from July 2019 to September 2019;
- (ii) the findings from Internal Audit's follow-up work;
- (iii) Internal Audit's progress against the annual audit plan for 2019/20.

### **3. ANNUAL ACCOUNTS 2018/19**

A report was submitted by the Depute Chief Executive (Resources & People Services) providing the Committee with an update on the main changes arising during the audit of the draft financial statements, and asking the Committee to approve the now audited accounts for 2018-19.

Ms Fortune presented the report reminding Members that the draft accounts had been considered by Council in June and thereafter published for inspection, as required by statute. She highlighted the main changes which had been made following the audit of the financial statements and she thanked her own staff and the Audit Scotland team for their help in preparing the final accounts.

Ms Fortune responded to questions from Councillors Williamson and Mackie in relation to the Dr Bruce Fund. She advised that a review of all Common Good Funds and Trusts was currently underway and this would include consideration of the amount and purpose of awards granted and whether there was a more holistic way of managing these funds. She also confirmed that it was the trustees of the Dr Bruce Fund who made decisions on whether or not money was awarded.

Councillor Mackie indicated that as a Trustee of the Dr Bruce Fund she could not recall being asked to approve the awards in 2018/19. Mr McCrorie agreed to look into this and confirmed the award level was the same as that for 2017/18.

Ms Woolman suggested that she should now present her annual audit report to assist the Committee in approving the annual accounts.

### **4. ISA 260 LETTER FROM AUDIT SCOTLAND**

Ms Woolman presented Audit Scotland's letter to those charged with governance which outlined the findings of the audit of East Lothian Council's annual accounts for 2018/19.

She highlighted some of the key points including confirmation that the financial statements represented a 'true and fair view' and that she anticipated being able to issue an unqualified audit opinion, the significance of which should not be understated. She drew Members attention to the report for inclusion in the annual accounts and the draft letter of representation from the Council's Section 95 Officer. She then proceeded directly to the annual audit report.

### **5. EAST LoTHIAN COUNCIL 2018/19 ANNUAL AUDIT REPORT**

Ms Woolman presented Audit Scotland's annual audit report to Members for 2018/19.

She outlined the key messages in the report including sound financial management and positives in sustainability, governance and transparency and value for money. She then provided a detailed summary of the findings from the audit of the annual accounts drawing attention to areas of particular interest. She confirmed that the draft accounts were of a good standard and she expressed her appreciation for the support and access provided by Council staff which had helped to expedite the audit process.

Ms Woolman informed Members that overall the financial statements provided positive assurance and there were no issues of materiality to be reported. She drew attention

to the appendices which included the action plan of recommendations for improvement and a summary of significant audit risks identified during the planning stage. She concluded that the report had been prepared to give Members assurances of the audit work carried out and to support the Committee's consideration and approval of the annual accounts.

In response to questions from Councillor McLeod, Ms Woolman and her colleague Esther Scoburgh, provided further details of the work underway following the Best Value Assurance report published in November 2018 and explained the definition of 'non audit related services'.

Replying to further questions, Jim Lamond, Head of Council Resources, confirmed that all PFI contracts were kept under review. He added that he had always indicated his willingness to consider making changes to the current arrangements but this had to be balanced against other factors most notably a willing third party to the contract. Regarding the relationship between slippage and capital borrowing, Mr Lamond advised that impact of delays in capital projects was continually monitored as part of the quarterly financial review process but reminded Members that the Council could not borrow in advance of need and slippage did not necessarily mean surplus cash funds at year end.

Addressing the question of alternative budget proposals, Ms Woolman advised that she could only comment on the proposals that had been presented to Council.

Councillor Hoy queried the assessment of sustainability contained in the report and whether this was contradicted by the need for future cuts in services. Ms Woolman indicated that the assessment related to the financial management process and the financial profile of the Council. Mr Lamond acknowledged that the possibility of future cuts to services and financial sustainability seemed like a mixed message, however much would depend on the budget settlement put forward by the Scottish Government.

Replying to a question from the Convener, Ms Woolman acknowledged the significant work which had gone into the Local Development Plan, its supplementary guidance and a developer contribution framework. As one of the fastest growing local authority areas, East Lothian had been more active than most in this area.

The Convener thanked Ms Woolman for her very helpful report and invited the Members to note the contents of both Audit Scotland documents and to approve the recommendations in relation to the annual accounts.

## **Decision**

The Committee agreed to:

- i. note the contents of the ISA 260 letter from Audit Scotland;
- ii. note the contents of the annual audit report;
- iii. note the main changes to the annual accounts arising during the course of the audit; and
- iv. approve the 2018-19 audited accounts for the Council and its group components.

## **6. REPORT TO THE AUDIT & GOVERNANCE COMMITTEE OF EAST LOTHIAN COUNCIL BY LOTHIAN VALUATION JOINT BOARD**

Mr Graeme Strachan, Assessor for the Lothian Valuation Joint Board (LVJB), presented his report to Committee highlighting the main areas of change and issues faced by the LVJB.

He covered –several aspects of his report, including: the change from a five- to a three-year cycle of revaluation of the Valuation Role; changes to the Valuation Role appeals process; maintenance of the Electoral Register and online registration processes; costs associated with the Annual Household Canvass; young person’s registration; legislative change allowing foreign nationals legally resident in Scotland to vote in Local Government and Scottish Parliament elections, and Scottish referendums; the entitlement of Scottish prisoners serving sentences of under 12 months to vote; challenges caused by high volumes of applications and calls received in the days preceding a registration deadline; and the challenges associated with a property value-based Council Tax system.

In response to questions from Members, Mr Strachan confirmed that East Lothian’s registration levels were in proportion to other local authority areas and that the Scottish Government had plans to carry out a review of Council Tax valuation. He informed the Committee that the LVJB gave presentations on the Electoral Register in schools each year, although he noted that only three secondary schools within East Lothian had accommodated these presentations.

### **Decision**

The Committee agreed to note the report.

## **7. HOUSING ANNUAL ASSURANCE STATEMENT**

A report was submitted by the Depute Chief Executive (Partnerships and Community Services) presenting the Housing Annual Assurance Statement for Committee approval.

James Coutts, Service Manager for Community Housing and Homelessness, highlighted the salient points in the report. He advised that the Scottish Housing Regulator’s (SHR) regulatory framework was revised in 2019, which placed a new requirement on all social landlords to submit an Annual Assurance Statement to the SHR each year. The Annual Assurance Statement would indicate whether the landlord was in compliance with all regulatory requirements and standards and would highlight any areas of material non-compliance and actions to address these. He advised that the brief statement would be made publically available once signed.

The Convener questioned the scope of the task should East Lothian Council be required to submit all evidence of compliance, for example for a Freedom of Information request. Mr Coutts advised that this would be a relatively simple task should any Elected Member or interested party wish to review the evidence.

### **Decision**

The Committee agreed to:

- i. note the new regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement on behalf of the Council; and
- ii. approve the Annual Assurance Statement (as detailed in Appendix 1 of the report), noting that East Lothian is fully compliant with regulatory requirements.

## **8. DEVELOPMENT RISK REGISTER**

A report was submitted by the Chief Executive presenting to the Committee the Development Risk Register for discussion, comment, and noting.

Scott Kennedy, Emergency Planning, Risk, and Resilience Officer, outlined the salient points in his report. He advised that the Register included 1 Very High risk, 5 High risks, 19 Medium risks and 18 Low risks. He stated that in line with the Council's Risk Strategy only risks rated as 'Very High' and 'High' were reported to the Committee.

In response to questions from Councillor Williamson on Risk D1, Homelessness, Mr Coutts advised that approximately ten houses had been obtained on the open market this year, and that East Lothian Council would continue to find and purchase appropriate properties. In response to a further questions from Councillor Williamson, he advised that a flat-sharing model had been piloted between Queen Margaret University, the Rock Trust, and East Lothian Children's Services with care-experienced young people; he acknowledged that tenancy issues could arise if care was not taken to match tenants properly.

Replying to a question from Councillor McLeod, Mr Coutts stated that eviction was always a last resort, and was usually due to a tenant's wilful non-payment of rent and/or non-engagement with support.

The Convener questioned how much money was available to deliver the planned risk control measures for homelessness. Mr Coutts stated that resource allocation to support implementation of the 'Housing First' approach required by the Scottish Government fell substantially short of expectations. The Convener noted the seriousness of the situation and thanked officers for their work on producing the Risk Register.

### **Decision**

The Committee agreed to note the Development Risk Register and in doing so, noted that:

- i. the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk;
- ii. the total profile of the Development risk could be borne by the Council at this time in relation to the Council's appetite for risk; and
- iii. although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks for Development and were likely to be a feature of the risk register over a number of years.



## **9. INFRASTRUCTURE RISK REGISTER**

A report was submitted by the Chief Executive presenting to the Committee the Infrastructure Risk Register for discussion, comment, and noting.

Mr Kennedy presented the report noting that the risk register included 13 High risks, 46 Medium risks and 13 Low risks. He advised the Members that questions on the detail of the Register could be directed to Tom Reid, Head of Infrastructure.

In response to a question from Councillor Mackie regarding the future of kerbside collection, Mr Reid stated that East Lothian Council had a statutory obligation to provide kerbside collection. He advised that the Scottish Government's Deposit Return Scheme (DRS) for glass, steel, aluminium, and PET drinks containers would strip value assets from kerbside collection, which the Council sold to cover collection costs; models indicated that DRS could potentially have an adverse financial impact on the Council. Mr Reid advised that recycling boxes were still considered to be the most effective system, as they guaranteed high-quality capture. However, the impact of the DRS and future changes to the money claim back scheme for local authorities administered by the Scottish Government would require alterations to the Council's current collection arrangements.

Replying a question from Councillor McLeod, Mr. Reid advised that the issuance of a VEAT notice allowed the extension of the current kerbside collection contract beyond the original contracted period without the risk of legal challenge.

Responding to Councillor Dugdale, Mr Reid indicated that once the outcome of the modelling work on kerbside collection was known a report would be brought forward to Council or Cabinet. In his view, this modelling work would go some way to mitigating the risk outlined in the register.

The Convener noted that work from the Building Standards Team had been outsourced. Mr Reid explained that it had been challenging to draw staff to East Lothian Council and three members of the team had resigned within the last month to take up career development opportunities elsewhere.

Councillor Mackie commented on the breadth of issues covered by the Infrastructure Service and thanked Mr Reid for a very interesting summary of the key risks.

### **Decision**

The Committee agreed to note the Infrastructure Risk Register and in doing so, noted that:

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

## **10. SAFEGUARDING PUBLIC MONEY: ARE YOU GETTING IT RIGHT? (ACCOUNTS COMMISSION, APRIL 2019)**

A report was submitted by the Chief Executive to provide the Committee with an overview of the Accounts Commission report, *Safeguarding Public Money: Are You Getting it Right?*

Paolo Vestri, Service Manager - Corporate Policy & Improvement, highlighted the key messages in the report. Mr Vestri advised that the review of internal controls by Audit Scotland, presented at the previous Committee meeting, along with Service Risk Registers, provided a high level of assurance to Councillors. He also highlighted the section of the report dealing with the roles of Officers and Elected Members. He asserted that the Council's Internal Audit Service ably complied with the report's stated model of internal audit.

The Convener reflected on the scale and scope of the Accounts Commission's report. She was happy to review the Councillor Checklists and report back to Committee with any recommendations for further action.

### **Decision**

The Committee agreed:

- i. to note the position of East Lothian Council in regard to the key messages and recommendations in the Accounts Commission report, *Safeguarding Public Money: Are You Getting it Right?*;
- ii. that all Elected Members be issued with the Standards Commission's 'Advice Note on Distinguishing Between their Strategic Role and any Operational Work'; and
- iii. that the Chair of the Committee review the Councillor Checklists included in the report and report back to Committee with any recommendations for further action.

## **11. MUSSELBURGH RACING ASSOCIATED COMMITTEE**

A report was submitted by the General Manager of Musselburgh Racecourse providing commentary to the Committee on the 2018-19 Racecourse audit process. It also provided an update on performance to date and the likely financial position of the Musselburgh Racing Associated Committee (MRAC) after the conclusion of the tender process to appoint a third party to operate the Racecourse.

Bill Farnsworth, General Manager of Musselburgh Racecourse, presented the report. He provided a detailed summary of the findings of the audit process, commentary on the timing of the audit and the reasons for the delay to the final sign-off of the annual accounts and audit report.

Turning to the current financial position of the MRAC, Mr Farnsworth drew the Members attention to deficit of £49,600 as at 1 April 2019, the anticipated handover date to the third party operator and the forecast profit for the period 1 April to 15 October 2019 (handover date). He advised that the forecast figure could change depending on the level of media rights income for the period but that this would not be known until the financial year end. He also highlighted that an outstanding claim

against the MRAC which was due to go to Tribunal in November 2019 and this could impact on the financial position. He concluded by pointing out that very little discussion had taken place regarding possible mechanisms to off-set the deficit and, as yet, nothing had been agreed. The question of whether it was appropriate for all the legal fees to be changed to the MRAC was also outstanding.

In response to questions from Councillor McLeod, Mr McCrorie advised that discussions regarding the sale of equipment and other mechanisms for offsetting the deficit were taking place.

Mrs Leitch reminded Members that the procurement process was ongoing and suggested that detailed questions should wait until the conclusion of the process.

Replying to a further question, Mr McCrorie confirmed that there was no cap on the cost of the procurement process. He referred to the Chief Executive's remarks but added that the one-off costs were reflected in the annual accounts which were subject to review by the racecourse auditors, Scott-Moncrieff.

The Convener agreed with the need to be aware of sensitivities during the procurement process. However, she felt that this was an important matter and she looked forward to receiving a further update later in the year.

Mr Farnsworth said it remained unclear to him where the ultimate responsibility lay for the financial position of the Racecourse. He noted that while the MRAC was not part of the Council, it was part of the Council's accounts.

Mrs Leitch advised that as Chief Executive she was responsible for the finances of the Council.

**Decision**

The Committee agreed to:

- i. note the update on the audit process; and
- ii. note the likely financial position of the MRAC after the conclusion of the tender process to appoint a third party to operate the Racecourse.

Signed .....

Councillor Jane Henderson  
Convener of the Audit and Governance Committee



**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 26 November 2019  
**BY:** Depute Chief Executive (Resources & People Services)  
**SUBJECT:** Internal Audit Report – November 2019

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**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on progress made against the 2019/20 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 September 2019 to November 2019 as contained in Appendix 1;
  - ii. Internal Audit's progress against the annual audit plan for 2019/20 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: Fixed Assets, Payroll Deductions, Risk Management and IR35.
- 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:
- Fixed Assets – Limited Assurance
  - Payroll Deductions – Reasonable Assurance
  - Risk Management – Reasonable Assurance
  - IR35 – Moderate Assurance

## **Progress Report 2019/20**

- 3.4 The progress report attached as Appendix 2 is prepared to assist the Committee in its remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2019/20.

### **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

<b>AUTHOR'S NAME</b>	Duncan Stainbank
<b>DESIGNATION</b>	Service Manager Internal Audit
<b>CONTACT INFO</b>	01620 827353
<b>DATE</b>	14 November 2019

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT  
FIXED ASSETS**

**1. EXECUTIVE SUMMARY**

**1.1 Introduction**

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

**1.2 Areas where Expected Controls were Met**

- A framework is in place for the management of fixed assets. A Council Asset Strategy and Management Plan 2018-2023 was approved by Cabinet in January 2019.
- The Council has an asset management system (Asset Manager) in place for recording financial information relating to fixed assets. Details held on Asset Manager form the basis of fixed asset information contained in the Council's Annual Accounts.
- The Council has established a Capital Asset Group which has responsibility for approving capital projects and a Capital Investment Asset Management Group with responsibility for preparing asset strategies, which will form the basis of business plans for future capital projects.

**1.3 Areas with Scope for Improvement**

- A comprehensive Council-wide fixed asset register is not currently in place. Detailed records of fixed assets are held by some service areas, however no centralised register is held. *Risk – lack of an overall record of fixed assets.*
- The information held within Asset Manager was not sufficiently detailed; historically for some categories of asset, Asset Manager had been updated with the total cost of fixed assets purchased in a year rather than, where appropriate, recording individual assets. *Risk – assets may be depreciated over an inappropriate period or not properly accounted for on disposal.*
- There was a lack of evidence of effective monitoring being undertaken to ensure that fixed assets are correctly classified; in some cases, errors in the classification of assets were identified. *Risk – assets may not be accurately recorded or depreciated properly.*
- In some cases, we found that changes to asset classifications or the disposal of assets were not being communicated timeously to Finance. *Risk – information held may be inaccurate or out of date.*
- The Council's fleet management arrangements require to be rationalised to ensure that all vehicles are recorded and managed by the Council's Transport & Waste Section. In one case, we found that a service area was purchasing and maintaining their own record of vehicles. *Risk – fixed assets may be inappropriately recorded or treated.*

**1.4 Summary**

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

**Duncan Stainbank**  
Service Manager – Internal Audit

**November 2019**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.1	Management should consider implementing a centralised fixed asset register.	Medium	Head of Infrastructure	Work will commence to ensure the data held in each specific asset database is correct and verified. Once complete consideration will be given on the availability and affordability of installing a single system that can pull together a holistic account of all assets.		August 2020
3.3.2	Management should review the current practice of using project capital codes that require transfer to the balance sheet at year end.	Medium	Chief Operating Officer Finance	Agreed this action was already underway, however alignment of previous costs with the new codes may require further systems changes.		August 2020



<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.3.2 (cont)	Following receipt of the software register from IT, management should review the current classification of software within the annual accounts to ensure that it complies with accounting standards.	Medium	Chief Operating Officer Finance	Agreed, this will be reviewed when a software asset register has been received.		August 2020
3.3.3	<p>Management should ensure that the ledger accurately reflects the individual classification of assets as stated within the annual accounts, as it does for total asset value.</p> <p>Management should ensure that where necessary project costs are split to ensure they are allocated to the correct classification within the annual accounts.</p>	High	Chief Operating Officer Finance	Agreed, this is part of an ongoing process to improve the fixed asset data.		August 2020
3.4.1	<p>Management should consider archiving cost centres where they are no longer required.</p> <p>Management should ensure that Estates are informed promptly of all developments being completed.</p>	<p>Medium</p> <p>Medium</p>	<p>Chief Operating Officer Finance</p> <p>Team Leader – Strategy &amp; Development</p>	<p>Agreed</p> <p>Agreed</p>		<p>August 2020</p> <p>November 2019</p>

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.5.1	Management should ensure that sufficient information is provided to Finance of assets taken out of service to allow the necessary adjustments to be made.	High	Service Manager – IT	IT will provide Finance with reports of obsoleted equipment.		December 2019
	Management should ensure that IT assets are grouped appropriately within Asset Manager.	Medium	Chief Operating Officer Finance	Agreed. This will be reviewed when information is received from IT.		August 2020
3.6.1	Management should ensure that the fleet management system is a comprehensive record of all Council vehicles held – consideration should be given to rationalising the management of all Council vehicles under Transport & Waste.	Medium	Service Manager – Transport & Waste	Agreed		March 2020
	Management should ensure that all vehicles are listed separately within Asset Manager.	Medium	Chief Operating Officer Finance	Agreed		August 2020
	Management should ensure that the vehicles listed within Asset Manager accurately reflect those currently owned by the Council.	Medium	Chief Operating Officer Finance	Agreed – reconciliation process to be reviewed.		August 2020

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
<b>3.6.1 (cont)</b>	<b>Management should consider carrying out a stocktake of all vehicles owned by the Council.</b>	<b>Medium</b>	<b>Service Manager – Transport &amp; Waste</b>	<b>Agreed</b>		<b>March 2020</b>
	<b>Management should ensure that all asset purchases are posted to a capital code when initially posted to the general ledger, including the correct purchase price and accurate asset description, working across service teams.</b>	<b>High</b>	<b>Chief Operating Officer Finance</b>	<b>Agreed – process has been reviewed and revised.</b>		<b>August 2020</b>
	<b>Management should ensure that the £6,000 de-minimis level for grouped purchases of assets is applied consistently across all Council services.</b>	<b>Medium</b>	<b>Chief Operating Officer Finance</b>	<b>Agreed</b>		<b>March 2020</b>
	<b>Management should ensure that assets are not recorded in two asset registers, through regular reconciliation.</b>	<b>Medium</b>	<b>Service Manager – Transport &amp; Waste</b>	<b>Agreed</b>		<b>March 2020</b>

### **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
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	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
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Moderate Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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 PAYROLL DEDUCTIONS**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

A review of the internal controls surrounding the administration of Payroll Deductions was undertaken as part of the Audit Plan for 2019/20. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Council has adequate arrangements in place to ensure that Tax and National Insurance are correctly calculated and deducted from employees' earnings in accordance with legislation.
- Pension contribution rates for 2019/20 had been correctly updated on the iTrent payroll system and properly applied to the pensionable pay for both teachers and Local Government employees.
- A clear audit trail exists on the iTrent system for Payroll deductions including details of the types of deductions applied for each employee and the corresponding amounts.
- Adequate supporting documentation is held on file for all significant Payroll deductions.
- Appropriate procedures are in place to ensure that employees' tax codes are correctly updated on the iTrent payroll system following notification from HM Revenue and Customs.

#### **1.3 Areas with Scope for Improvement**

- There was a lack of detailed procedures in place to provide clear guidance to staff responsible for administering Payroll deductions. *Risk – failure to adopt a consistent approach.*
- The existing arrangements in place for checking standing data on the iTrent payroll system require review, to ensure that evidence of independent checks are retained on file. *Risk – errors and irregularities may occur and remain undetected.*
- The process for updating membership fees for one Trade Union requires review – in a number of cases, deductions had not been correctly calculated according to the employee's level of earnings. *Risk – incorrect payroll deductions may be made.*

#### **1.4 Summary**

Based on our review of Payroll Deductions, 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.

**Duncan Stainbank**  
**Service Manager – Internal Audit**

**November 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 detailed procedures are in place to provide clear guidance to staff responsible for administering Payroll deductions.	Medium	Payroll Manager	Agreed – the Payroll Section are currently creating process maps for iTrent and this will be extended to include Payroll deductions.		June 2020
3.2.1	Management should ensure that evidence is retained on file of the checks that are carried out to confirm that iTrent is correctly calculating Tax and National Insurance.	Medium	Payroll Manager	Agreed		March 2020
3.2.2	A person independent of processing should check that the annual pension contribution rates have been correctly updated on the iTrent system – evidence of the checks should be retained on file.	Medium	Payroll Manager	Agreed		March 2020
3.2.3	Consideration should be given to setting up the Unison Trade Union membership fees as parameters on the iTrent system to ensure that the deductions are correctly calculated according to the level of earnings.	Medium	Payroll Manager	Agreed – currently liaising with MHR with a view to getting this set up.		December 2019



PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.5	Management should ensure that adequate evidence is held on file from the pension provider where employees are paying Additional Voluntary Contributions (AVCs).	Medium	Payroll Manager	Agreed		December 2019
	Management should review the Direct Earnings Attachment (DEA) calculations on the iTrent system to ensure that deductions are being correctly calculated according to the level of net earnings.	Medium	Payroll Manager	Agreed – the system will be reviewed when earnings are combined.		December 2019
	Adequate monitoring of PVG fees should be undertaken to ensure they are correctly deducted over the period specified on the mandate.	Medium	Payroll Manager	Agreed – the monitoring has started.		November 2019
	Management should undertake a review of all employees who are members of the Unite Trade Union to confirm that the deductions reflect the current contribution rates.	Medium	Payroll Manager	Agreed		November 2019
	Management should undertake a review of all employees who are members of the Unison Trade Union to confirm that the deductions are being correctly calculated according to the level of earnings.	Medium	Payroll Manager	Agreed		January 2020

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.4.1	Management should ensure that appropriate checking procedures are in place to confirm that the iTrent system is aggregating National Insurance where there are changes to an employee's pay frequency.	Medium	Payroll Manager	Agreed – the system will be monitored, however steps are being undertaken to remove separate pay frequencies.		November 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
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	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
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Moderate Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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 RISK MANAGEMENT**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2019/20, a review was undertaken of Risk Management. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Council has a Risk Management Strategy in place and is to be reviewed every three years – the updated Strategy was approved by the Audit and Governance Committee in January 2017.
- The Corporate Risk register is approved annually by the Cabinet.
- Service risk registers are approved annually by the Audit & Governance Committee.
- The Corporate Risk Management Group oversees risk management across the Council.

#### **1.3 Areas with Scope for Improvement**

- Low level risks are not always reviewed and updated. *Risk – risks are not managed.*
- In some cases timescales for completion/review frequency are set for a number of years. *Risk – risks are not mitigated timeously.*
- Risks are not always being updated to reflect changes between the annual reviews. *Risk – risks are not adequately mitigated.*
- Implementation of planned risk control measures are not always being completed by the target dates identified and are rolled forward for a further year. *Risk – risks are not adequately mitigated.*
- Planned controlled measures in one case were not appropriate or adequate. *Risk – risks are not adequately mitigated.*

#### **1.4 Summary**

Based on our review of Risk Management, 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.

**Duncan Stainbank**  
Service Manager – Internal Audit

**November 2019**

## ACTION PLAN

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.2.2	Management should ensure that the correct members of staff are consulted in developing and agreeing risk control measures.	Medium	Service Manager – Sport Countryside & Leisure	Agreed		Completed
3.3.1	Management should consider splitting planned risk control measures into shorter term time scales, when graded levels of mitigation can be provided from phases of a solution.	Medium	Service Manager – Protective Services	Agreed		November 2019
3.4.1	Management should ensure that all Risk Registers are submitted for approval on an annual basis.	Medium	Service Manager – Protective Services	Agreed		November 2019
3.4.2	Management should ensure that all risks are subjected to a review where necessary and update in line with the Corporate Risk Strategy.	Medium	Service Manager – Protective Services	Agreed The new software will send regular reminders to the risk owner.		November 2019

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.3	Management should ensure that as part of the review consideration should be given to validity of planned control measures.	Medium	Service Manager – Protective Services/Service Managers	Agreed		November 2019
3.4.4	Management should ensure that risks are updated to reflect changes to either the risk or the control measures during the course of the year.	Medium	Service Manager – Protective Services/Service Managers	Agreed		November 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
<b>High</b>	Recommendations which are fundamental to the system and upon which Management should take immediate action.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	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
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<b>Moderate Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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 IR35 (Off-payroll Workers in the Public Sector)**

### **1. EXECUTIVE SUMMARY**

#### **1.1 Introduction**

As part of the Audit Plan for 2019/20, a review was undertaken of the arrangements in place within the Council for ensuring compliance with IR35 (Off-payroll Workers in the Public Sector) requirements. A summary of our main findings is outlined below.

#### **1.2 Areas where Expected Controls were Met**

- The Council has appropriate processes and procedures in place to ensure compliance with IR35 requirements, including a detailed IR35 assessment form which contains a process flowchart, engagement checklist and a comprehensive list of questions which require to be completed by the engaging manager.
- IR35 documentation in place is up to date and easily accessible by staff.
- For new suppliers, arrangements are in place for identifying engagements, which may fall within the scope of IR35 – the Council’s Supplier Request Form contains a section on “Off-payroll Workers in the Public Sector/Intermediaries (IR35) Legislation”, which requires to be completed in all cases.
- IR35 assessments are carried out by the Council’s Procurement Team using the HMRC’s “Check Employment Status for Tax” (CEST) online tool and the assessment outcome is provided to the engaging manager.
- Where the assessment outcome is that the engagement is “in scope” or “employed for tax purposes”, clear processes are in place to ensure that tax and NI calculations are properly applied and that payments to suppliers are made net of deductions.

#### **1.3 Areas with Scope for Improvement**

- In most cases, agency workers are not having an IR35 assessment completed as required by the procurement framework agreements. *Risk – failure to advise agencies of the IR35 status for each engagement may result in incorrect tax and NI deductions being made and in additional costs to the Council.*
- In some cases, there was a failure to ensure that IR35 assessments were completed prior to the engagement commencing. *Risk – failure to advise suppliers of their IR35 status prior to engaging the worker, may lead to disputes and non-compliance.*
- The guidance in place to assist staff in completing the IR35 assessment form requires review and updating, in particular in relation to those sections of the form which will have a major bearing on the assessed outcome. *Risk – failure to properly complete the assessment form, may lead to the assessed outcome not being appropriate to the engagement being undertaken.*
- Regular monitoring of, and reporting to Management on, the Council’s compliance with IR35 requirements should be recommenced. *Risk – failure to identify and address areas of weakness or non-compliance.*

#### **1.4 Summary**

Based on our review of IR35 (Off-payroll Workers in the Public Sector), 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.

**Duncan Stainbank**  
Service Manager – Internal Audit

**November 2019**

**ACTION PLAN**

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.1.1	Management should review the informal de-minimis threshold currently being applied, ensuring that any agreed de-minimis level is appropriate to the legislation and formally reflected in the procedures.	Medium	Commercial Programme Manager for Procurement	Agreed		January 2020
3.2.1	Consideration should be given to providing refresher training to relevant members of staff within service areas, on the Council's responsibilities under IR35.  Refresher training should include guidance for services to ensure IR35 assessments are completed for each new engagement for existing suppliers.	Medium	Commercial Programme Manager for Procurement	Agreed, training will be reviewed in conjunction with HR and then delivered.		March 2020
3.3.1	Consideration should be given to undertaking periodic reviews of existing suppliers' IR35 status.	Medium	Commercial Programme Manager for Procurement	Agreed		March 2020
3.4.1	Management should review and update the guidance that is in place to assist staff in completing the IR35 assessment form, in particular in relation to those sections of the form which will have a major bearing on the assessed outcome.	Medium	Commercial Programme Manager for Procurement	Agreed		March 2020

<b>PARA REF</b>	<b>RECOMMENDATION</b>	<b>GRADE</b>	<b>RESPONSIBLE OFFICER</b>	<b>AGREED ACTION</b>	<b>RISK ACCEPTED/ MANAGED</b>	<b>AGREED DATE OF COMPLETION</b>
3.4.1 (cont)	<p>Management should ensure that all IR35 assessments are undertaken, and the outcome communicated to the supplier, prior to the engagement commencing.</p> <p>Management should review both assessments if two separate assessments exist for what appears to be the same engagement and only retain and process payments on one agreed assessment.</p>	Medium	Commercial Programme Manager for Procurement	<p>Agreed, will be covered in the training to be delivered.</p> <p>Agreed</p>		<p>March 2020</p> <p>January 2020</p>
3.4.3	Management should ensure that an IR35 assessment has been completed for each assignment/role being undertaken by an agency worker.	High	Commercial Programme Manager for Procurement	Agreed, a framework for ensuring assessments are carried out will be put in place. Operationally this will require input from HR and service areas.		January 2020
3.7.1	Management should ensure that there is regular monitoring of, and reporting on, the Council's compliance with IR35 requirements.	Medium	Commercial Programme Manager for Procurement	Agreed, delivery within the current procurement review.		March 2020

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

### Levels of Assurance – Definitions

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**INTERNAL AUDIT PROGRESS REPORT 2019/20**

**APPENDIX 2**

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Purchase Cards	We will review the internal controls in place for the use of purchase cards, including the arrangements for monitoring expenditure.	September 2019	Completed
Payroll Deductions	We will review the procedures in place for ensuring the accuracy and completeness of payroll deductions, including Tax, NI and pension contributions.	November 2019	Completed
Domiciliary Care	We will review the in-house delivery of domiciliary care services to Adult Services clients.	November 2019	In Progress
IR35	We will check to confirm that adequate arrangements are in place for ensuring compliance with IR35 regulations, in respect of workers who supply their services through an intermediary body.	November 2019	Completed
Risk Management	We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place.	November 2019	Completed
Non-Domestic Rates (NDR)	We will continue our audit work on Non-Domestic Rates (NDR) – in 2019/20, we will review the arrangements in place for the recovery of NDR arrears.	February 2020	
Direct Payments	We will review the arrangements in place for the administration and monitoring of direct payments made to Children's Services and Adult Services clients.	February 2020	

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Records Management	We will review the arrangements operating within service areas for records management including the storage, retention and disposal of records.	February 2020	
Roads Contracts	We will examine the arrangements in place for the procurement, tendering and monitoring of work awarded by Road Services.	February 2020	Commenced
Procurement	As part of our annual review of procurement, we will examine work being awarded to suppliers to ensure compliance with the Council's Corporate Procurement Procedures.	February 2020	Commenced
Property Maintenance Stores	We will review the arrangements operating at the Property Maintenance stores.	February 2020	
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2020	
National Fraud Initiative	Time has been allocated for reviewing data matches identified by the 2018/19 National Fraud Initiative (NFI) exercise.	February 2020	In Progress
Online Payments	We will review the internal controls surrounding the online payments system (SchoolPay), which was recently introduced in East Lothian schools.	June 2020	
Schools	We will review the financial arrangements operating within one secondary school to ensure compliance with the financial procedures in place.	June 2020	

<b>AUDIT REPORTS</b>	<b>SCOPE OF THE AUDIT</b>	<b>TARGET COMPLETION DATE</b>	<b>STATUS</b>
Council Tax	We will continue our audit work on Council Tax – for 2019/20, our review will focus on the procedures in place for Council Tax collection and refunds.	June 2020	
Transformation Programme	We will examine the implementation of the Council's Transformation Programme to ensure that the financial savings identified have been achieved.	June 2020	
Treasury Management	We will review the Council's approach to Treasury Management to ensure compliance with the CIPFA Code of Practice on Treasury Management.	June 2020	
Fostering and Kinship Care Allowances	We will review payments made to foster and kinship carers to ensure compliance with Council policies and procedures.	June 2020	
General Data Protection Regulations (GDPR)	We will review the arrangements in place within the Council for ensuring compliance with the provisions of GDPR.	June 2020	
Fleet Management	We will review the arrangements in place for the replacement, purchase and disposal of vehicles to ensure compliance with existing policies and procedures.	June 2020	
Following the Public Pound	As part of our rolling programme of work on Following the Public Pound, in 2019/20 we will review the monitoring arrangements in place for a sample of organisations receiving Council funding.	June 2020	



**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 26 November 2019

**BY:** Depute Chief Executive (Resources & People Services)

**SUBJECT:** Treasury Management – Mid Year Review 2019-20

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**3**

**1 PURPOSE**

- 1.1 To update the Committee on Treasury Management activity during the first half of 2019-20.

**2 RECOMMENDATIONS**

- 2.1 The Committee is asked to note the content of the report.

**3 BACKGROUND**

- 3.1 A main function of treasury management operations is to ensure that the cash flow is adequately planned, with cash being available when it is required. Surplus monies are invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 3.2 In addition, the treasury management service ensures the accounting and funding of the Council's capital plans. The approved capital plans provide a guide to the borrowing need of the Council, setting out the longer term cash flow planning to ensure the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, any debt previously incurred may be restructured, to meet Council risk or cost objectives.
- 3.3 Treasury management is defined as the management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance

consistent with those risks. This report has been written in accordance with the requirements of the CIPFA Code of Practice on Treasury Management, with the mid-year report reviewed against the Treasury Management Strategy approved by Council in February 2019.

- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A. An economic update for the first part of the 2019-20 financial year;
  - B. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - C. The Council's capital position (prudential indicators);
  - D. A review of the Council's investment portfolio for 2019-20;
  - E. A review of the Council's borrowing strategy for 2019-20;
  - F. A review of any debt rescheduling undertaken during 2019-20.

#### **Part A – Economic Update**

- 3.5 The first half of 2019-20 has seen UK economic growth reduce due to the continued economic uncertainty. The Monetary Policy Committee (MPC) has so far left the bank rate unchanged at 0.75% during 2019, and is unlikely to change until there is further clarity over the UK's departure from the European Union.
- 3.6 UK CPI inflation rate as at October 2019 is currently at the lowest level for some time at 1.5% (2.4% as at August 2018), with the next published statistics available mid-December. A broad inflationary target of 2% reflects current Government policy, with a drive to reduce this further through wider Monetary Policies. The continued economic uncertainty could see inflation rates rise and, with that increased costs.
- 3.7 In the first half of 2019-20 longer term PWLB borrowing rates fell to exceptionally low levels due to economic uncertainty, however, on 9 October 2019, the Treasury and PWLB announced a full 1% increase on all new borrowing. More details are set out in paragraph 3.21 of this report.

#### **Part B – Review of Treasury Management Strategy Statement and Annual Investment Strategy**

- 3.8 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy and includes a number of key treasury management indicators. Council approved the Strategy and relevant indicators on 26 February 2019. This report provides an update on the Treasury Management activity undertaken by the Council relative to the approved strategy taking account of the updated economic position and budgetary changes already approved.

- 3.9 Table 3.1 below provides a summary of the current position relative to approved indicators, with more details around the position on each indicator set out in the remainder of this report.

**Table 3.1**

<b>Prudential Indicators 2019-20</b>	<b>Approved £m</b>	<b>Current Estimated Prudential Indicator £m</b>
Capital Financing Requirement	468	475
Operational Boundary	468	475
Authorised Limit	518	518

*Includes long term liabilities for PPP schemes and finance leases*

### **Part C - The Council's Capital Position (Prudential Indicators)**

- 3.10 The Council has already approved a range of indicators with more details around the current projections relative to approved indicators set out below.

#### Capital Expenditure and Financing of the Capital Programme

- 3.11 Table 3.2 below sets out the current projected outturns for the Council's capital investment programmes for 2019-20 relative to the approved budget as at 12 February 2019. The table sets out how the programme is financed, highlighting the supported and unsupported elements and the expected financing arrangements. The borrowing requirement increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). This in part will be offset by any revenue charges for the repayment of debt.

**Table 3.2**

<b>Capital Expenditure</b>	<b>2019-20 Approved Budget £m</b>	<b>2019-20 Projected Outturn * £m</b>
General Services	52.1	47.5
HRA	32.9	32.7
<b>Total capital expenditure</b>	<b>85.0</b>	<b>80.2</b>
Financed by:		
Capital receipts	27.1	16.6
Capital Grants	15.7	18.9
CFCR	6.7	6.7
<b>Total financing</b>	<b>49.5</b>	<b>42.2</b>
<b>Borrowing requirement</b>	<b>35.5</b>	<b>38.0</b>

*\* Projected outturns as per financial update presented to Council on 29 October 2019*

### Impact on Prudential Indicators

- 3.12 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.3 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.13 In summary, the Council is currently projecting to be slightly over the approved limits for both CFR and Operational Boundary. This is largely due to a combination of; reduction in the use of capital receipts during 2019-20 largely due to re-profiling of developers contributions to future years in line with anticipated expenditure commitments; as well as a restatement to the opening CFR balance within the 2018-19 annual accounts. Future year's Treasury indicators will be revised to take cognisance of 2019-20 projected outturn, however overall the Council is expected to remain well within the Authorised Limit.

**Table 3.3**

	<b>2019/20 Approved Limits £m</b>	<b>2019/20 Projected Outturn £m</b>
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR – General Services	260	273
CFR – HRA	208	203
<b>Total CFR</b>	<b>468</b>	<b>476</b>
<b>Prudential Indicator – the Operational Boundary for external debt</b>		
Borrowing	431	439
Other long term liabilities*	37	37
<b>Total debt (year-end position)</b>	<b>468</b>	<b>476</b>

*\* PPP arrangements and finance leases*

### Limits to Borrowing Activity

- 3.14 One of the main key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2019-20 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.



- 3.15 Table 3.4 below sets out that the Council is currently managing to operate within this limit and maintains an under-borrowed position. The table states that at the end of this year the Council expects to have external borrowings of £383m and utilise £56m of cash flow funds (under-borrowing) in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate and remains consistent with the approved Treasury Management Strategy.

**Table 3.4**

	<b>2019-20 Original Estimate £m</b>	<b>2019-20 Revised Estimate £m</b>
External borrowing	397	383
Other long term liabilities*	37	37
<b>Total external debt</b>	434	420
<b>CFR* (year end position)</b>	<b>468</b>	<b>476</b>
<b>Under-borrowing</b>	<b>34</b>	<b>56</b>

*\* Includes on balance sheet PPP schemes and finance leases etc.*

- 3.16 The Authorised Limit is a statutory requirement which represents the limit beyond which borrowing is prohibited and sets an overall control on the level of borrowing. This limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. The approved Authorised Limit is £518 million, and as highlighted in the table above, the Council continues to operate well within approved limits, and therefore there is no change to the overall strategy required.

#### **Part D - Investment Portfolio 2019-20**

- 3.17 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return consistent with the Council's risk appetite. Wider loan interest rates remain low and in line with the current 0.75% Bank Rate. It is anticipated that any future increases in interest Bank rates will be gradual and given this, investment returns are likely to remain low.
- 3.18 Investment decisions during the first 6 months of 2019-20 are in accordance with the approved strategy. Table 3.5 below sets the investment activity during this period, with a summary set out below:
- Four short-term investments were made, with two being repaid during the period and the third investment maturing in the next six months.

- The fourth short term investment is in a 95 day notice account. Any remaining surplus cash balances are held in the Council's bank account.

**Table 3.5**

<b>Date of Investment</b>	<b>Borrower</b>	<b>Amount</b>	<b>Interest rate</b>	<b>Date repaid</b>
07/06/19	Nottingham City Council	£ 5m	0.75%	23/09/19
20/06/19	Central Bedfordshire Council	£ 5m	0.75%	20/09/19
28/08/19	Goldman Sachs	£ 5m	0.82%	Loan to be repaid on 28/11/19
28/08/19	Lloyds 95 day notice	£ 5m	1.10%	

- 3.19 An external investment management company, Investec, manages East Lothian Council Common Good funds and Charitable Trust funds in two separate portfolios. At 30 September 2019, the East Lothian Charitable Trust portfolio was valued at £3.543m, which represents an increase of £0.150m over the 6-month period. The performance of this portfolio for the first 6 months is slightly less than the benchmark.
- 3.20 The Common Good portfolio was valued at £3.612m an increase of £0.153m over the 6 month period. The expectation is that this portfolio should grow the fund and generate the best income at the minimal risk, the performance in the first 6 months is in line with this expectation given the current market conditions. The returns on these investments continue to be closely monitored during the year.

### **Part E – Borrowing Strategy 2019-20**

- 3.21 On 9 October 2019, the Treasury and PWLB announced a 1% increase in the PWLB rate for all new borrowing, with immediate effect and without any warning. In recent years, the Council has predominately used PWLB as its main source of funding partly due to the level of risk and interest rates available. An anticipated increase in interest rates had already been included within future capital investment plans, and therefore this increase is unlikely to impact in this financial year. Going forward however, the Council may need to consider further both the affordability of capital investment plans and potentially seek alternative sources of borrowing in order to achieve the best rates and terms. Whilst it remains unclear as to any further increase in borrowing rates, the Council's treasury advisor, Link Asset Services is currently forecasting that all PWLB rates are likely to increase over the next few years.

3.22 Table 3.6 below sets out the new external borrowing taken in the first 6 months of the financial year. Furthermore, due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR, currently £476m), it is anticipated that additional new external borrowing of £24m is required during the second half of this financial year.

**Table 3.6**

Date of Loan	Lender	Amount	Interest rate	Loan Term	Maturity Date
16/08/19	PWLB	£ 5m	1.82%	20 years	15/08/39
16/08/19	PWLB	£ 5m	1.91%	30 years	15/08/49
16/08/19	PWLB	£ 5m	1.81%	50 years	16/08/69

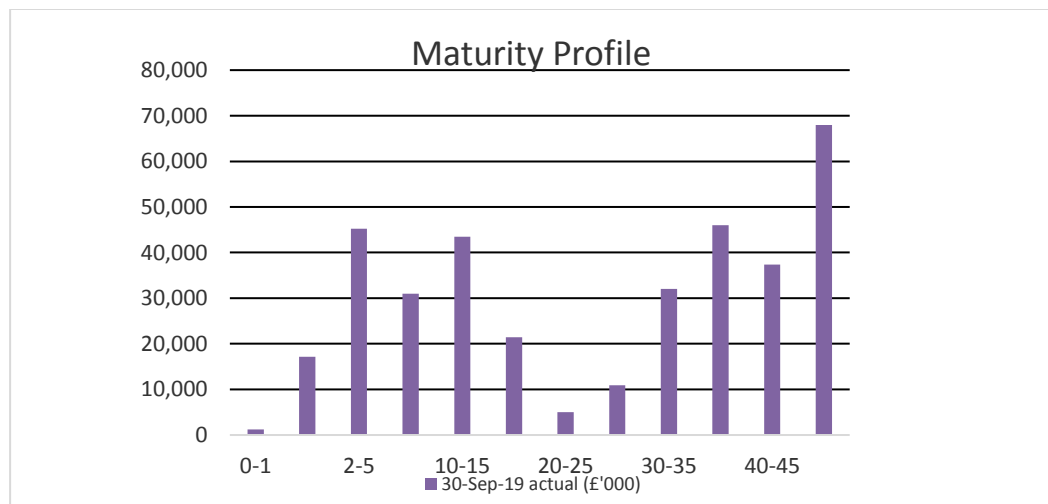
3.23 Two PWLB loans matured during the first six months and were repaid as set out in Table 3.7 below, and no short term loans taken or repaid during this time.

**Table 3.7**

Date repaid	Principal	Maturity	Interest rate
24/09/19	£5m	9 years	4.04%
24/09/19	£10m	9 years	4.06%

**Current Loan Maturity Profile**

3.24 The graph below sets out the current loan maturity profile for the Council, which remains consistent with the approved Strategy.



## **Part F – Debt Rescheduling**

- 3.25 Debt rescheduling opportunities have been very limited in the current economic climate and as such, no debt rescheduling has therefore been undertaken to date in the current financial year. The increase in PWLB rates only applies to new borrowing, not to premature repayment rates.

### **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 has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

### **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 2019/20 to 2023/24 – East Lothian Council 26 February 2019

<b>Author's Name</b>	<b>Jim Lamond</b>
<b>DESIGNATION</b>	<b>Head of Council Resources</b>
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<b>DATE</b>	<b>18 November 2019</b>

Report	East Lothian Council Audit and Governance Committee
Author	Bill Axon
Date	26 <sup>th</sup> November 2019
Action	To note

## Background – as previously this report generally covers the period 2018/2019

# 4

In October 2009, Enjoy East Lothian Limited (**Enjoy**) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council (ELC). The current contract between **Enjoy** and ELC runs until 30 September 2021.

The facilities managed by **Enjoy** comprise six major sites and a number of satellites -

- Aubigny Sport Centre, Haddington.
- Loch Centre, Tranent.
- Musselburgh Sport Centre
- North Berwick Sport Centre
- Meadowmill Sport Centre, Tranent
- Dunbar Leisure Pool, Dunbar
- Recreation Park, North Berwick
- Foresters Park, Tranent
- Pinkie Playing Fields, Musselburgh
- Middleshott Square, Prestonpans
- Fisherow Bowling Green

**Enjoy** also manages a variety of other sports facilities throughout East Lothian, which includes -

- Grass Pitches and Pavilions
- Synthetic Pitches (2G, 3G and water based)
- Seasonal Facilities (putting, pitch and putt etc.)
- Tennis Courts
- Golf Courses (Musselburgh Old Course and Winterfield, Dunbar)
- Athletics Track
- Climbing Wall
- Stables Pavilion (catering provision)

All of the facilities are held on ELC's property portfolio with the exception of Dunbar Leisure Pool, which is wholly owned by Enjoy

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Delivering services for East Lothian Council. **Enjoy** East Lothian Ltd, also known as 'Enjoy' and 'Enjoyleisure'. Scottish Registered Charity Number: SC040527



**Enjoy** is a company limited by guarantee, governed by its memorandum and articles of association and does not have a share capital. The company has charitable status under sections 466 to 493 Corporation Tax Act 2010 and its Scottish Charity Number is SC040527.

In order to secure charitable status, **Enjoy** must be entirely independent of ELC. Any perceived control exerted by ELC over **Enjoys** business activities could threaten **Enjoys** charitable status and be scrutinised by the Scottish Government.

The provision of services by **Enjoy** to ELC is governed by a contract between the two organisations. The only influence ELC is able to exert over **Enjoy** is in terms of this contractual arrangement for the management of its sport facilities, for which ELC makes a contract payment.

All of the employees engaged in the provision of the services are wholly employed by **Enjoy**.

**Enjoy** is Governed by a Board of voluntary Directors (non-executive) who have a wide and diverse range of skills and add value not only to Enjoy but the partnership as a whole. East Lothian Council have four nominated representatives (Directors) on the Board who are currently, Cllr John McMillan, Cllr Jim Goodfellow, Cllr Colin McGinn and Cllr Gordon Mackett. Enjoy is audited on an annual basis by an officially appointed professional auditors – currently Scott Moncrieff.

**Enjoy** has robust internal governance arrangements, which is evidenced by a strong independent financial audit report, which also reported **Unqualified** Accounts for 2018/2019. Additionally, Health and Safety and operating procedures are considered through external examination by our insurers.

In terms of contract governance:

- There are four Director's appointed by East Lothian Council to the Board of **Enjoy** (all Elected Members).
- The Council have an appointed contract monitoring officer at Senior Level.
- Quarterly contract meeting chaired by ELC.
- Communication regarding service delivery between **Enjoy**, the Council and where necessary all local Elected Members is maintained at all times.
- Senior Council staff are also invited to attend Enjoy Board Meetings as observers.

The Business Executive led by Bill Axon is responsible for the day-to-day management of **Enjoys** affairs, who are accountable to the Board of Directors.

The Non-Executive Board of Directors ensures that **Enjoy** conducts its affairs in accordance with its stated purpose. It sets the policies, strategies and objectives, and then preside over the Chief Executive and his staff who are responsible for delivering them.

The Board has been refreshed by the appointment of two new community representatives, namely Tim Day and Lesley Sutherland. At its AGM the Board elected Tim Day as Board Chair. As stated previously the Board consists of 4 Elected Members of East Lothian Council and a maximum of eight Community Representatives.

The Board is currently operating with a full complement of twelve Directors.

## Business Context

Enjoy's focus for the next 12 months is to work with our partners (ELC Property Maintenance) to resolve concerns regarding the Councils' medium to long term asset maintenance programme for Sport and Leisure stock and drive forward improvements in terms of customer experience.

As reported last year, a key identified risk for business continuity is the lack of the Councils' available capital investment for internal Sport Centre Services, which have been identified as becoming critical due to the age profile of facilities.

Enjoy will concentrate resources to deliver projects that will not only support the financial good of Enjoy but also attempt to bridge the Councils' proposed reduction in contract payment to Enjoy for 2020/2021.

All opportunities to further develop commercial prospects will continue to be investigated, however, our approach to this requires to take account of the absolute requirement to provide a business model that provides quantifiable social benefit for the communities of East Lothian. Not to do so, would compromise our approved charitable status as we would not be meeting stated objectives.

However, like other publically funded bodies it would be foolish not to recognise the continued and significant challenge of reduced funds available for public services. We will continue to address this by:

- reducing management and administration costs
- targeted price increases
- developing new business opportunities
- workforce management

**Enjoy** fully accepts that to fulfil our commitment to the people of East Lothian, we need to make up for any shortfall through efficiencies, management actions and income generation. However, it needs to be restated that due to the operational costs of managing such high demand facilities, it would be wholly unreasonable to rely on sport and leisure centres becoming self-sufficient /supporting anytime in the future.

**Enjoy** has previously been able to accommodate the annual reduction in the Council contract payment fee by significantly increased participation and membership numbers, which has created a business environment for the company of growth including income. Nevertheless, this has become more difficult due to the increase in health club provision, especially budget gyms on the perimeter of East Lothian, which have become a major competitor. We have seen a reduction in gym memberships, however, we have also seen some of those who left migrating back, due to the friendly environment we offer and the significant variation and quality of services that are available to our members.

It again needs to be recognised that with so many competing leisure activities within East Lothian, affordability is the key. Any significant increase in charges could be a deterrent to those suffering genuine financial hardship, who remain a target group, for those we are trying to encourage increased physical activity.

**Enjoy** and all our partners need to work together to look at alternative ways of increasing income. We need to develop expenditure opportunities to collectively invest in a sport and leisure infrastructure, which will get more people physically active. It is accepted by all related professional bodies that such an approach will support and help to tackle some of the major health issues facing our region, such as obesity, diabetes and heart disease etc.

It should be noted that **Enjoy** delivers **annual** business rate saving to East Lothian Council, due to its charitable status, of circa **£750,000**. This is in addition to the reduction in contract payment, which will reach £1 million + during the period of 2020/2021 with **Enjoy** significantly increasing participation, opening hours and its support of local clubs during the same period.



**Enjoy** was formed to provide strategic and operational services throughout the whole of East Lothian, with a direct strategic objective of ensuring that every key town was served by a major sport and leisure facility.

**Enjoy** is extremely proud that this objective has been achieved in extremely challenging circumstances.

It's clear that wider objectives are now being achieved by **Enjoy**, which are demonstrated in this report, which adds resilience to Enjoy and delivers savings and strength in the Council meeting its corporate goals. In addition to the contract performance/requirements **Enjoy** continues to deliver 'added value' and success through local initiatives including working with Macmillan, NHS, local clubs and groups, employing a significant number of 'vocational trainees' and providing professional education courses.

### **Business Performance 2018/19**

Since its creation in 2009, **Enjoy** has seen continuing growth in our income streams, despite reductions in the contract payment by East Lothian Council year on year.

#### **Contract Payment from East Lothian Council**

<b>2010 / 11</b>	<b>2018/19</b>
£2,787,612	£2,015,262

The above £2,015,262 contract payment equates to:

- 30% of **Enjoy's** total income

Since the first full financial year of operation 2010-11 to last year 2018-19 ELC's contract payment has decreased by 28% (£772,350).

Please note that if you include the figure for 2019/2020 the above rises further and based on the proposed reduction for 2020/2021 this will have reached circa £1 million.

This is a significant saving for the Council and Council Tax payers, however **Enjoy** has also provided a positive outcome of increased, accessibility, business activity and users.

### **Challenges**

2018-19 was **enjoy's** most challenging financial year to date, which started with a £150k reduction in our contract payment from East Lothian Council. We also started the financial year in a deficit position, and as such the strategic objective for 2018/19 was to deliver efficiency savings across the organisation, whilst developing income generation initiatives.

### **Efficiency Savings**

- **Streamlining of Staffing Rotas**  
With the aim of delivering a more efficient and effective staffing structure, an extensive exercise was carried out to review each Sports Centre's staffing rota, and align this to needs of the organisation in terms of the activity programme delivered at each site. This included analysing the centre programme in 15min segments to identify the appropriate number of staffing required to achieve each task. In doing so we were able to identify opportunity for growth/expansion of our coached activity programmes, whilst also make efficiency savings on





staffing costs. In addition, we were able to appropriate allocate sufficient time to the Assistant Service Managers to be able to undertake all of their necessary administrative responsibilities.

This process is now complete for 4 of the 6 main sites. We have been able to achieve between a 5 and 8 % saving on staffing costs and have achieved an average 98% efficiency in Leisure Assistant time. We have identified ways in which we can ensure staffing levels are targeted at times of greatest need and ensured consistency across all sites. Our ability to 'cover' shifts due to sickness or holiday absence has been improved. We have factored in the need to provide cover for additional swimming lessons teachers to cope with our ambitious Learn to Swim programme development plans, although more teacher resource will be required in order to fully implement these expansion plans.

- **Memberships Agreement with Mercat Gait Centre**

A partnership agreement has been in place with the Mercat Gait Centre (MGC) in Prestonpans, (which is managed by a commercial entity FES FM), to include the MGC within the **enjoy**leisure membership scheme. This enables customers signing up to the membership scheme at the MGC to also gain access to the gyms / swimming pools / health suites & fitness classes at the 6 East Lothian Sports Centres managed by **enjoy**leisure and vice-versa. A financial agreement was reached with FES FM to retain and maintain this arrangement.

- **Access to Leisure Price Increase**

in July 2018, a slight increase of 50p was made to the off-peak admission rate to the Access to Leisure scheme. Previously set at £1 per visit, this increase, although significant in percentage terms, still maintained a considerable saving to eligible participants of the scheme to standard admission prices. The increase was agreed by the sponsor of the scheme, East Lothian Council and was ratified by elected members.

## Headline Figures

### Visitor Numbers

Total visits across **enjoy's** services between 1<sup>st</sup> April 2018 – 31<sup>st</sup> March 2019 totalled 1,259,004.

### Membership Figures

Membership figures at 12<sup>th</sup> November 2019 stand at the following:

1. Gym membership: **4,287**
2. Swimming Lesson Membership **2,250**
3. Golf Course Membership (two courses) **1,098**
4. Access to Leisure (low income scheme) **3,224**
5. Sports award scheme (free access to elite athletes approved by ELC) **256**
6. Leisure Pass Discount Card **262**
7. Swim Tickets **1,600**

This gives **enjoy** a total of **12,977** affiliates within East Lothian, which is in approximately **10%** of the population.

In December 2018, a brand new 24hour 'Pure Gym' facility was opened on the Edinburgh / East Lothian border, at Fort Kinnaird Retail Park. This is the first time that **enjoy** had experienced the introduction of a 'budget gym' competitor. It was predicted that this would have an impact on our membership figures,



especially given their opening promotional offer of £9.99 a month gym membership. As predicted our membership figures did take a hit in Q4.

### **Staffing Compliment**

As of May 2019, **Enjoy** employed 341 members of staff, (223 female and 151 male).

- 160 Permanent Staff (91 female : 69 male)
- 196 Casual Staff (132 female : 82 male)

### **Headline Achievements**

## **COUNCIL OBJECTIVE: INCLUSION / SOCIAL BENEFIT**

Across East Lothian, **enjoy** actively supports and encourages the participation of all ages and abilities within our sports facilities. Our focus is on providing active choices as well as developing and delivering opportunities for the communities at large to engage and participate in activities to improve their overall health and wellbeing.

As such, **enjoy** keeps the social benefit for East Lothian at the forefront of its day-to-day decision making. Some of these benefits can be challenging to directly quantify; however examples of specific initiatives that are in place include:

- Operation of fully disabled access facilities and a range of activities for people with disabilities
- Delivering the Access to Leisure Scheme for eligible customers which allows reduced rates including use of facilities at certain times for an enhanced reduced rate
- Offering female only swim sessions (one session per week)
- Availability of low impact classes / activities for users with limited or restricted movement
- Offering discounted rates for Community Clubs
- Commitment to providing Employability Placements & Vocational Volunteer opportunities within our communities.
- Developing links with the NHS & Macmillan to create a dedicated position within **enjoy**leisure to engage with local people living with cancer and beyond.
- Provision of a safe, comfortable environment within our café areas for people to meet

### **Disabled Access**

**Enjoy** actively encourage participation by all ages and abilities. Disabled friendly and accessible activities provided by **enjoy**leisure and local clubs offers customers access to athletics, badminton, archery, bowling, multi-sports, fitness classes, swimming lessons (for both infants and children) and a dedicated swimming club which has members that compete at a national level.

Via the Access to Leisure Scheme qualifying East Lothian applicants are able to enjoy significantly discounted rates to make use of the facilities, making physical activity both accessible and affordable.

Furthermore we offer support to casual customers visiting our facilities for the first time, through links with specialist websites [www.disabledgo.com](http://www.disabledgo.com) and [www.euansguide.com](http://www.euansguide.com) which provide detailed descriptions of the access and facilities available within our Sports Centres.

## Administering the Access to Leisure Scheme

Throughout 2018/19 the Access to Leisure scheme, which **Enjoy** administers on behalf of East Lothian Council, provided entry to **enjoy**leisure facilities for **£1.50** per activity between the hours of 9:30am – 4:30pm Monday - Friday and discounted entry at all other times.


The Access to Leisure Scheme continues to be a popular and a well-utilised pathway for disadvantaged individuals and families across East Lothian to access sport and leisure activities.

## Access to Leisure Admissions

		2016-17	2017-18	2018-19
<b>Access to Leisure</b>		<b>48,191</b>	<b>40,698</b>	<b>35,609</b>
Single Admissions	Bodyworks Gym	9,328	10,011	8,639
	Free Weights Room	811	787	571
	Swimming	13,946	12,512	11,498
	Health Suite	3,634	2,847	2,451
	Racket Sports	2,168	1,699	1,845
	Crèche	1,400	1,183	1,086
	NB Trampolines	631	745	425
Classes	ASN Activities	582	799	363
	Fitness Classes	6,622	5,415	4,790
Booked Activities	Gymnastics	2,140	2,038	2,565
	Climbing Wall	44	61	67
	Swimming Lessons	6,597	1,788	312
	Summer Activities	288	190	132

NB: The decline in swimming lessons is not a true reflection of the number of Access to Leisure customers in lessons. As the lesson programme is primarily paid by direct debit, (of which Access to Leisure customers account for 10%, they are now counted in a different way. The above figure includes “cash” payments for lessons, not those paid by direct debit.

## Availability of Low Impact Fitness Classes

Being able to provide a pathway and foundation for participation is an important aspect of **Enjoy's** pledge to “inspire active living”. As such, as of April 2019 **Enjoy's** fitness class offering included 77 introductory ‘Low Impact’ classes - 25% of the classes on offer. Highlighted with a  symbol, these classes are suitable for individuals looking to make a return to exercise, without putting too much stress on joints. These classes have also attracted a significant corner of the ‘senior’ market and are incredibly well attended.

These classes include: Aqua Circuits | AquaFit | Ballet Stretches | BodyBalance | Fitness for All Funky Fitness | Fitness Fun | Fitness Pilates | Functional Fitness | Pilates | Stretch & Strength | Swimming | Yoga.

## **Discounted Rates for Community Clubs**

Throughout **Enjoy's** history, we have worked in collaboration with the Sports Clubs and organisations and (since their creation) the East Lothian Sports Hubs, to deliver our commitment to provide community access to East Lothian's Sporting Facilities.

A key focus of maintaining these relationships is being able to offer the clubs and groups, fit for purpose, well maintained and importantly affordable facilities. This not only ensure the club's long-term viability, but further enhances our commitment to deliver more specialised coaching and development activities for the benefit of the community.

## **Modern Apprenticeships & Vocational Volunteer Opportunities**

**Enjoy** continues to develop our partnership links with Direct Partners and East Lothian Works to offer work placements and volunteering opportunities across the organisation.

We have maintained and enhanced our relationship with Direct Partnerships, through their offering of Modern Apprenticeship opportunities. Through these links, we have been able to upskill members of staff from across the organisation through workplace Modern Apprenticeships in Facility Operations, Business and Administration and Digital Marketing courses.

Through our relationship with East Lothian Works we have 11 long-standing vocational volunteers, who work alongside leisure and café staff within our main sites. These individuals subsequently benefit from an invaluable social engagement opportunity in a workplace environment.

These partnerships allow **enjoy** to provide training, development and volunteering opportunities; therefore providing a meaningful contribution to employment within East Lothian.

## **Macmillan Move More Programme**

In late 2018 **enjoy**leisure successfully secured funding from Macmillan Cancer Research in order establish a Move More programme in East Lothian. The initiative provides funding for 3 years, within which **enjoy**leisure will establish its own physical activity programme for those living with and beyond cancer. To date we have appointed Shauna Cunningham as the Part Time Macmillan Move More Coordinator (February 2019). She will lead the project for **enjoy**, and will in time be assisted by a Part Time Move More Facilitator, to deliver tailored exercise classes.

## **COUNCIL OBJECTIVE: HEALTH & WELLBEING**

### **Sports Centre Visitor Numbers**

**Enjoy's** services and facilities are at the core of East Lothian's major neighbourhoods. We are committed along with our partners to continuing to improve our facilities by making them sustainable, accessible and equipped to the highest standard this includes an extensive outdoor portfolio.

Total visitor numbers, including school use, clubs, spectators, and event use and café visitors in 2018-19 totalled **1,259,004** across all Sports Centres, Pitches, Seasonal Facilities and both Golf Courses.

When comparing 'transactional customers' – those customers who physically interact with reception (listed below) **enjoy** saw an increase of 0.1%.

	2016-17	2017-18	2018-19
3G Synthetic Pitch	2,756	3,354	7,774
ASN Activities - Dry	9,841	9,931	3,895
Athletics	219	347	589
Birthday Party Activities	12,617	13,665	12,308
Bodyworks Gym	119,580	117,992	117,084
Climbing Wall Activities	3,840	3,924	3,132
Crèche Activities	4,528	3,265	3,107
Dry Coached Activities	1,204	908	704
FASIC	273	236	172
Fitness Classes	146,721	153,966	152,838
Free Weights Room	12,740	11,904	11,984
Golf Visits	48,055	51,497	53,814
Grass Pitch & Pavilion	14,103	12,487	13,724
Gymnastics	23,883	24,985	24,361
Hall Events	1,413	1,643	1,440
Hall Hire	11,261	10,756	9,066
Health Suite	24,455	19,344	18,505
NB Trampolines	12,167	10,888	9,016
NPLQ Courses	176	146	69
Racket Sports	39,324	34,136	33,579
Room Hire	12,935	13,310	13,935
Seasonal Facilities	13,829	15,377	15,313
Soft Play	17,421	15,528	15,174
Summer Activities	2,888	1,797	750
Swimming	262,278	258,087	242,317
Swimming Lessons	66,887	75,909	101,551
Synthetic Pitch	2,744	3,274	1,940
<b>Grand Total</b>	<b>868,138</b>	<b>868,656</b>	<b>869,202</b>
		<b>0.5%</b>	<b>0.1%</b>

Some notable differences:

- Swimming lessons moved from 4 x 8-10 week blocks to running continuously 48 weeks of the year in Sept 17. 2018-19 subsequently is the first full financial year to running this programme of such a duration, which is recognised in the significant rise in swimming lesson figures.
- ASN Activities are now recorded and invoiced differently, and therefore are no longer recorded under 'transactional' customers but under group visits. As such the above drop in numbers indicated above only relates to 'pay and play' rather than ASN activities as a whole.
- The opening of Pure Gym at Fort Kinnaird Retail Park in December 2018, had an impact on membership figures, and as such gym & fitness class visits, especially in Q4, when we would normally see a peak.

## **Gymnastics**

The gymnastics programme continues to remain strong across the county, with the programme delivered at 4 sports centres; Aubigny, Loch Centre, Musselburgh Sports Centre and Meadowmill. For the first time we have encountered a competitor to our programme. Saltire Team Gymnastics, an East Lothian Club who continues to utilise enjoy's facilities, have set up their own premises at the neighbouring former Meadowmill Golf Range, and are now actively delivering and promoting recreational classes. We have seen a slight decrease in our enrolment figures at Meadowmill and Loch Centre.

We have however, identified an opportunity to recoup these losses by establishing a gymnastic programme at North Berwick Sport Centre. A public feasibility study was carried out via social media and in centre in January 2019, which indicated significant demand for such a proposition. A formal proposal has been drafted to include the purchase of gymnastics equipment and staffing to deliver the programme.

## **Learn to Swim Programme**

- Following the launch of the new Get in the Swim, swimming lesson membership programme in September 2017; the initiative has grown from strength to strength. Within the first year, a further 300 participants had joined the programme.
- As the expansion of lesson provision continues, we have introduced a recruitment, training and development programme to internally progress the development of Leisure Assistants through their Swimming Teachers qualifications. Furthermore the swimming lesson schedule provides for dedicated CPD sessions for swim teachers to enhance and develop their skill sets. The Swim Coordinators now in place, have begun mentoring and development of swim teacher to boost their confidence and capabilities.
- Our Swimming Development Officer, Karen Ferguson is now a qualified Swimming Teacher Tutor, meaning that we can progress the development of our internal staff without sourcing external tutors. It also provides an opportunity to increase income by opening spaces up on courses to members of the public.
- The two appointed full time Swimming Coordinators have had their temporary contract extended for another year, with the intention of reviewing these posts in 2019/20

## **Scottish Swimming Learn to Swim Provider of the Year Finalist**

- We were also delighted to have our successes within our Swimming Lesson programme recognised by industry partner Scottish Swimming. In September 2018, enjoyleisure was selected as one of 3 finalists for Scottish Swimming's Learn to Swim Provider of the Year Award. As part of our finalist nomination, Scottish Swimming attended lessons at Dunbar Leisure Pool, creating a promotional video with interviews with swimming teachers, Kristina Lorimer, Martin Cameron and Swimming Development Officer Karen Ferguson. Regrettably enjoy missed out on achieving the award which went to Glasgow Life. However to be identified as a finalist was an achievement in itself!

## Membership Schemes

### Fitness Memberships

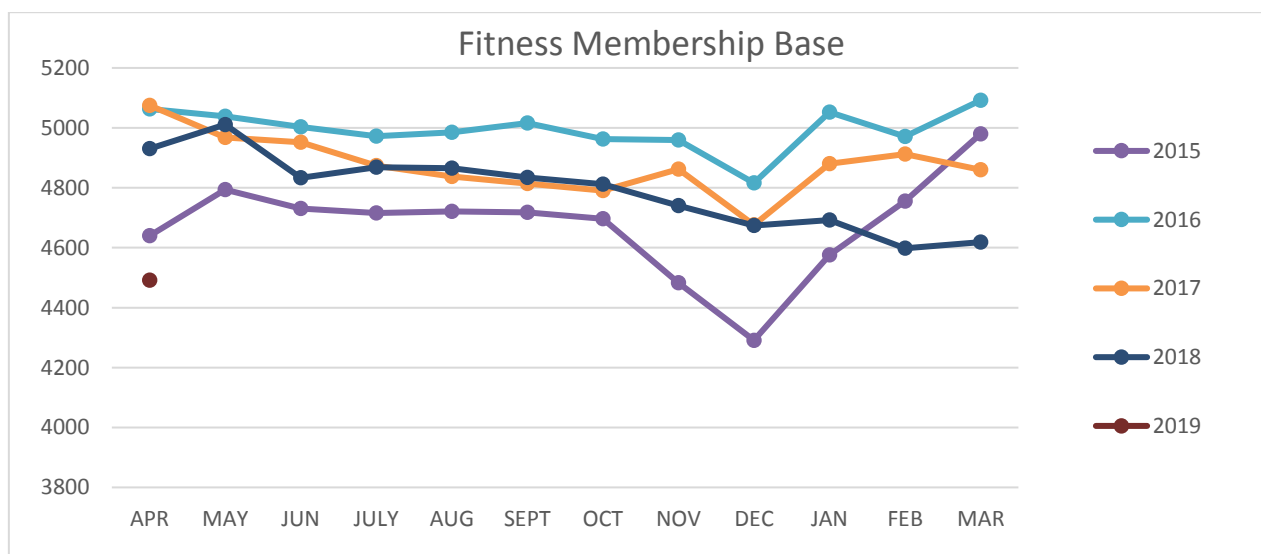
**enjoy**leisure's Fitness Membership Scheme offers adults (aged 16+) the opportunity to access the Bodyworks Gyms, Free Weights facilities, Swimming Pools, Health Suites and 300+ Fitness Classes across each of East Lothian's 7 Sports Centres for a monthly direct debit fee.

Since its redevelopment in 2012, the Membership Scheme has continued to be a major source of income for the organisation, and a focus of our service delivery.

As detailed on the graph below, for the first time since its redevelopment in 2012, the membership scheme Q4 has seen a downturn in membership figures, where we have always previously witnessed an increase. As referenced earlier in the report, this is primarily due opening of budget-gym competitor Pure Gym opening a facility at the Western edge of the county at Fort Kinnaird Retail Park. Due to its proximity to Musselburgh, and access via the A1, four of the **enjoy** membership sites; Musselburgh, Loch Centre, Meadowmill and the Mercat Gait all saw an increase in cancellations in the opening months of its operation.

The total number of Fitness direct debit paying members:

	April 2017	April 2018	April 2019
<b>Fitness Memberships</b>	<b>4880</b>	<b>4931</b>	<b>4491</b>



The focus for 2019/20 is about re-evaluating our membership offering, identifying ways in which we can capitalise on our USPs, and introduce retention strategies to engage with existing membership base.

We continue to concentrate on delivering an engaging, balanced variety of fitness classes, maintaining the quality of gym equipment and delivering ample opportunities for swim sessions across our facilities.

This has at times been challenging, especially when faced with unforeseen maintenance closures, in particular that of the Health Suites at Musselburgh and North Berwick.



## Fitness Classes

Fitness classes continue to be the biggest draw for fitness membership applications. It is therefore not surprising to see that 89% of fitness class attendees come from our membership base.

Keep Fit Classes	2018-19	%
Access to Leisure	4790	3%
Casual Customers	10441	7%
Discounted Customers	64	0.04%
Leisure Pass	1561	1%
Membership Inclusive	135,982	89%
<b>Grand Total</b>	<b>152,838</b>	<b>100%</b>

The fitness class programme is reviewed quarterly. At these points we revise the class timetable, introducing new classes in response to fitness trends and customer interest and popularity. At all times, we strive for a balance between cardio, endurance, low impact and strength and conditioning classes to appeal to as large a customer base as possible.

In an effort to make efficiency savings, a number of under-performing classes were withdrawn from the programme, so that we could focus on delivering choice and variety to our customers, without excessive costs.

Total Number of classes	April 2012	April 2013	April 2014	April 2015	April 2016	April 2017	April 2018	April 2019
	158	229	261	288	303	309	317	302

## Service Level Agreements with ELC

Partnership Service Level Agreements with East Lothian Council are reviewed annually. Throughout 2018/19 **enjoy** reviewed and confirmed extensions of its SLA agreements with Payroll services and IT.

A further agreement were renewed to provide **enjoy** employees with links and access to ELC's Training & Development opportunities. Likewise **enjoy** renewed its Health & Safety SLA with the East / Midlothian partnership.

## In-house Human Resource Function

The HR function has now successfully transferred in-house, with both a full-time HR Business Manager and part-time HR administrator in post.

There were some teething problems following the transfer, especially surrounding access to existing HR systems, however these continue to be developed to meet the needs of **enjoy** as an independent organisation.

HR will play a critical part in achieving efficiencies with the development of a specific HR and People Development strategy that supports the future of work within Enjoy.



## Pay Award

Despite the financial challenges, **enjoy** remained committed to their workforce and through discussions with the Trade Unions were able to apply a 2% pay award to all employees. This was actualised in May 2018. Furthermore **enjoy** guaranteed to the Trade Unions that there would be no changes to staffing terms & conditions or redundancies during 2018/19.

## Staffing Establishment

There were a number of staffing changes throughout 2018/19. **Enjoy** upheld its commitment to the Trade Unions, however where we had members of staff retiring, their positions were not refilled, and their responsibilities were absorbed by the existing staffing complement. This included a full time head office administration team member and a part time staff trainer. Additionally the decision was made not to renew the contract of the social inclusion officer, at 4 hours per week.

Other staffing changes included the appointment of

Head Office Function

- Colin Sturrock as HR Business Manager, (end of March 2019)
- Shipra Srivastava as Finance Assistant, (August 2018)
- Lynsey Fletcher as Business Analyst, (March 2018)

Across the Front-Line Service

- 43 Leavers
- 48 New Starts

## Staffing Compliment

As of May 2019, **enjoy** employed 341 members of staff, (223 female and 151 male).

- 160 Permanent Staff (91 female : 69 male)
- 196 Casual Staff (132 female : 82 male)

## New Uniform Launch

On Monday 26th November 2018, we launched a brand new uniform for front-line staff. This included the creation of a bespoke uniform for enjoy incorporating purple and gold branded polo-shirts, black shorts/trousers, purple coach t-shirts, purple tabards for cleaners and refreshed black polo-shirts and purple aprons for café staff. A capital investment for enjoy, the new uniforms provided a bright, colourful and easily identifiable uniform for employees within the Sports Centres.

## Staff Training

Through the Future Workforce Development Fund we engaged with Edinburgh College in order to deliver a number of specific training courses for our employees. This included:

- Leading & Motivating Teams x2 sessions - attended by 25 employees / out of possible 25
- Communication Skills x2 sessions – attended by 22 employees / out of possible 24
- Coaching & Mentoring x1 session – attended by 8 employees / out of possible 12

- Supervisory Skills (3 day workshop) – attended by 12 employees / out of possible 12
- Performance Management – attended by 8 employees / out of possible 12
- Senior Management Review – providing a brief summary of the provided sessions, and outcome / feedback from the participants
- Mental Health Workshop on Anxiety x1 – attended by 13 employees / out of possible 16
- Mental Health Workshop on Depression x3 - attended by 16 employees / out of possible 36

As part of **enjoy**leisure's participation in the Leisure Watch Scheme, 3 sessions were delivered throughout 2018/19 to provide training and support to staff to help them recognise concerning behaviour and act to stop it, making our public spaces safer for us all.

### **Direct Partners**

Our continued relationship with Direct Partnership, has allowed a further 3 Employability Placements to take place across the organisation. This is less than in previous years, however this was due to external funding restraints out with enjoy's control.

Additionally 2 employees completed Modern Apprenticeships in Level 2 Facility Operations, and went on to start Level 3 MAs in Supervisory Management, one employee started an MA in Level 3 Digital Marketing.

### **NPLQ Courses**

**Enjoy** has maintained the Institute of Qualified Lifeguard Approved Training Centre Status, which allows our professionally trained staff to maintain their qualifications through in-house training. It also allows **enjoy** to offer National Pool Lifeguard Qualifications to the general public and through this the opportunity to explore additional income streams.

During the period of April 2018 – March 2019 we offered 4 x NPLQ courses to the public which resulted in 44 people attending the course. These courses generated £11,800 worth of income for the business.

The delivery of external NPLQ training courses now feature as a vital element of our continuing recruitment process, and frequently result in attendees going on to become relief and on occasion temporary and permanent members of staff.

## **Community Economic Investment**

### **North Berwick Sports Centre Refurbishment**

In November 2018, North Berwick Sports Centre closed its doors to the public for 5 days in order to undergo a refurbishment upgrade. This included replacement floor coverings in public entrance, reception café, and access hallways. Additionally the pool hall benefited from new overhead lighting, a refurbishment of the pool-side shower area. Further improvements were made to improve the overall maintenance of the building.

### **Ormiston Pavilion**

Ormiston Pavilion became operational in May 2018. This is a community facility, with the local football club, Ormiston FC having priority booking rights under a User Agreement with East Lothian Council and **Enjoy**, however with its changing rooms and community space, can be hired for multiple community purposes, and was for example used by the Gala Committee during the summer.



## **Café Branding**

**Enjoy** provides a café provision within 5 of its Sports Centres, with a catering service available during special events at its 6th site, Meadowmill. New café branding materials were introduced at all sites, injecting some fresh-life into the look and feel of the café provision, with new menus, light-box displays and prominent café signage.

## **IT Development**

### **General Data Protection Regulations**

With the introduction of the new General Data Protection Regulations coming into effect on May 25<sup>th</sup> 2018, a considerable effort was made by **enjoy**leisure to realign our data collection, storing and sharing practices.

As well as updating all data collection material, this included a significant upgrade of our EPOS and customer data management system, Gladstone. Furthermore, a training programme was delivered to staff at all levels of the organisation, to embed the importance and revised procedures required in terms of data collection, processing and security.

### **IT Developments**

A successful installation of the Gladstone EPOS system was installed at Winterfield Golf Course in April 2018, which has enabled a more efficient and seamless accounting of both users and income at the golf course.

In February 2019, **enjoy** complete the first installation of a new software programme, “Learn2” provided by Gladstone which allows for the electronic tracking and monitoring of participants within coached activity programmes. Linked via handheld iPad used by coaches, participants can be monitored and assessed against set criteria. This links back to a management portal used by administrators to manage the booking, movement and allocation of classes across the programme. The software also has the provision of a parental portal, which allows access for parents to monitor the progress of their child and process payments online. The system also includes a provision for enhanced e-communication with participants / parents. Considerable configuration is required to get the software to get up and running, which is being progressed in conjunction with the IT team at East Lothian Council.

## **Sustainable East Lothian**

**Enjoy** is a key economic driver within East Lothian, not only as a major employer, but also in attracting events and investment to underpin new activities for the benefit of targeted groups.

We also contribute in making East Lothian a destination of choice to live, visit and work.

We are committed to working with our partners East Lothian Council to ensure environmental sustainability through investment when modernising the estate. This is entrenched in management decision making and the administration of the existing estate and in all planned refurbishments agreed with our partners East Lothian Council.

## Financial Performance

An annual audit of **Enjoy** was undertaken by an external auditor (Scott-Moncrieff), which reported an unqualified audit opinion. Extracts from latest audited accounts are shown below.

### Group Statement of Financial Activity For the year ended 31 March 2019

	Notes	Unrestricted Funds £	Restricted Funds £	Year to 31 March 2019 £	Year to 31 March 2018 £
<b>Incoming and endowments from:</b>					
<i>Donations and legacies</i>					
Voluntary income	4	32,309		32,309	25,053
<i>Charitable activities</i>					
Membership fees		1,794,168		1,794,168	1,759,385
Services		2,224,932		2,224,932	2,099,913
Management service fee	5	2,015,262		2,015,262	2,224,600
<i>Other trading activities</i>					
Trading subsidiary	22	639,139		639,139	600,242
<i>Investments</i>					
Investment income	6	-		-	6,930
<b>Total</b>		6,705,810		6,705,810	6,716,123
<b>Expenditure on:</b>					
<i>Charitable activities</i>					
Membership services	8	(7,260,567)		(7,260,567)	(7,012,490)
<i>Other</i>					
Trading Subsidiary	22	(661,267)		(661,267)	(699,282)
Net interest defined benefit scheme	11	(101,000)		(101,000)	(101,000)
<b>Total</b>		(8,022,834)		(8,022,834)	(7,812,722)
Net gains/(losses) on investments		-		-	-
<b>Net income/(expenditure)</b>		(1,317,024)		(1,317,024)	(1,096,649)
<b>Transfer between funds</b>					
<b>Other recognised gains/(losses):</b>					
Gains/(losses) on revaluation of fixed assets					
Actuarial gains/(losses) on defined benefit pension schemes	11	(658,000)		(658,000)	940,000
Other gains/(losses)					
<b>Net movement in funds</b>		(1,975,024)		(1,975,024)	(156,649)
<b>Reconciliation of funds:</b>					
Total funds brought forward		3,913,333	15,855	3,929,188	4,085,838
<b>Fund balances carried forward</b>		1,938,309	15,855	1,954,164	3,929,189



**Group and Charity Balance Sheet  
As at 31 March 2019**

	Notes	Group		Charity	
		2019 £	2018 £	2019 £	2018 £
<b>Fixed Assets</b>					
Tangible fixed assets	12	6,183,131	6,470,901	6,183,131	6,470,901
<b>Current assets</b>					
Stock		80,909	70,822	61,749	53,329
Debtors	13	175,014	181,158	723,841	336,946
Cash at bank and in hand		1,159,351	1,204,800	622,520	1,029,427
		1,415,274	1,456,780	1,408,110	1,419,702
<b>Creditors: Amounts falling due within one year</b>	14	(651,241)	(752,492)	(582,248)	(675,715)
<b>Net current assets</b>		764,033	704,288	825,862	743,987
<b>Total assets less current liabilities excluding retirement benefit scheme</b>		6,947,164	7,175,189	7,008,992	7,214,888
<b>Retirement benefit scheme (deficit)/asset</b>	11	(4,993,000)	(3,246,000)	(4,993,000)	(3,246,000)
<b>Net assets including retirement benefit scheme asset/(deficit)</b>		1,954,164	3,929,189	2,015,992	3,968,888
<b>Funds</b>					
	17				
Unrestricted funds		4,166,730	4,231,048	4,228,558	4,270,747
Unrestricted- Revaluation Reserve		2,764,579	2,928,286	2,764,579	2,928,286
Unrestricted- Pension Reserve		(4,993,000)	(3,246,000)	(4,993,000)	(3,246,000)
Restricted funds		15,855	15,855	15,855	15,855
Total funds		1,954,164	3,929,189	2,015,992	3,968,888



## Recommendations

That the Committee notes the information contained within this report.

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 26 November 2019  
**BY:** Depute Chief Executive (Resources and People Services)  
**SUBJECT:** East Lothian Land Ltd 2018/19

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**5**

**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2018/19.

**2 RECOMMENDATIONS**

- 2.1 That the Committee note the contents of the report.

**3 BACKGROUND**

- 3.1 East Lothian Council established East Lothian Land Ltd (ELL) in 2000, a company limited by guarantee (SC208723), through the transfer of undeveloped employment land in council ownership at Macmerry (Opposite the industrial estate) in return for 100% equity in the company.
- 3.2 The transferred employment land at that time was viewed by the private sector as undevelopable providing insufficient return on investment.
- 3.3 No additional financial support was provided to the company by East Lothian Council (ELC). ELL went to the financial market to fund the development costs of the Macmerry Business Park as well as self funding through selling plots as they were serviced.
- 3.4 In 2016/17 the company developed the empty council building located at Brewery Park, Haddington into 10 individual offices spaces – since opening in October 2016 it has run at 100% occupancy.
- 3.5 The company has a board of 4 directors comprising of the Leader of the Council, Economic Development spokesperson, a private industry sector representative and the Depute Chief Executive – Resources and People.

- 3.6 The Economic Development & Strategic Investments (EDSI) Business Development manager, is the Company Secretary and manager of the company. The manager is supported by the EDSI Business Development assistant.
- 3.7 The board act on a “*Pro Bono*” basis and do not receive payment. The Business Development manager and assistant undertake the work under their current ELC job remits.
- 3.8 Board meetings are held on a regular basis linked to ongoing business requirements and commercial developments. Decisions made are taken by a majority with the Chair having the casting vote on any tied outcome.
- 3.9 Minutes of any board meetings are taken and approved at subsequent board meeting by the chair.

### **Financial**

- 3.10 East Lothian Land Ltd is VAT registered and is audited annually by Campbell Dallas Accountancy, Dalkeith. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 End of year accounts).
- 3.11 ELL accountants’ opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as at 31<sup>st</sup> March 2019 and of its loss of £4,357 for the year then ended. A concern was raised by the accountants over the lack of turnover / actual business for the company during the period which has been noted by the board of directors.
- 3.12 East Lothian Land Ltd to comply with HMRC “Making Tax Digital” moved to the online cloud accounting platform – Xero in March 2019.
- 3.13 The company changed banks in July 2018 from the Royal Bank of Scotland to Handelsbanken due to the higher interest rate on funds deposited.

### **2018/19 Projects considered**

#### *Gateside West, Haddington*

- 3.14 ELL Ltd looked at the site at Gateside West (Site size 690 sqm) for the development of small industrial units. The site was originally marketed as a site for a family pub/restaurant but then amended to commercial use.
- 3.15 Based on current economic land values an offer of £65,000 was made in May 2018 via ELL Lawyers, Addleshaw Goddard, however the offer was rejected.
- 3.16 The site in February 2019 had planning approval for a drive through coffee restaurant. (Planning ref 19/00036/P – Euro Garages ltd)



*RBoS, North Berwick*

- 3.17 The closed RBoS site in North Berwick (Closed July 2018) was viewed by ELL Ltd as a viable opportunity to introduce business / office space within North Berwick town centre.
- 3.18 The building had a footprint of 109.4 sqm and once converted would create 4 small offices accommodating between 2 to 3 people.
- 3.19 The building was marketed at an asking price over £225,000. An initial offer of £199,000 was made via ELL Lawyers, Addleshaw Goddard – this was rejected and a revised offer of £230,000 was submitted again it was rejected.
- 3.20 The building was sold for residential use and a planning application 19/00472/P has recently been rejected by ELC planning.

*An East Lothian Farm (Commercially confidential)*

- 3.21 ELL Ltd had initial discussions with a developer following an approach from them to assist in the development of a farm steading into 5 high quality offices.
- 3.22 Developer has put on hold in current uncertain economic climate.

*Macmerry Business Park*

- 3.23 ELL owns a strip of land at Macmerry Business Park which has a zero value on balance sheet. The site was considered as an option to develop / sell but following discussions with architect it was deemed too difficult to develop.
- 3.24 The site may offer access for any future development to the adjacent field.

*Tyne Close, Haddington*

- 3.25 Tyne Close is a small industrial estate owned by ELC. In January 2019 the units at Tyne Close were deemed as unfit / unsafe for occupancy and the units became vacant.
- 3.26 It was agreed in March 2019 by the board of ELL to enter discussions with ELC to take on a long term ground lease (30 plus years), clear the existing unsafe buildings and then develop the site for commercial use.
- 3.27 The site will accommodate 7 commercial units and will be built as an exemplar of low energy consumption to include solar panels, air source heat pumps, possible battery storage system and for each unit to have an electrical vehicle charge point.

- 3.28 A detailed planning application is to be submitted and on approval the ground lease will be concluded with ELC and site development to commence thereafter.

*Various*

- 3.29 A number of other sites and buildings were raised and discussed by the board of ELL Ltd but did not come to fruition.

### **2018/19 Projects delivered**

- 3.30 None

### **Future projects**

- 3.31 The company actively scans the market for possible developments and has an ongoing engagement with a number of possible joint ventures.
- 3.32 Additionally the company liaises closely with ELC estates for possible opportunities around vacant council premises and ELC owned commercial properties that may require remediation / rebuilt.

## **4 POLICY IMPLICATIONS**

- 4.1 The two strategic goals of the refreshed East Lothian Council Economic Development Strategy 2012 to 22 are :-
- To increase the number of businesses in East Lothian with growth potential
  - To increase the proportion of East Lothian residents working in and contributing to East Lothian's economy.
- 4.2 The work East Lothian Land Ltd undertakes mirrors and supports the strategic goals set out in the Economic Development Strategy with the company objectives as follows: - *“To promote, support and/or effect the development of land and property within the area served by East Lothian Council, with a view to stimulate economic development and regeneration and so to assist in the creation of employment opportunities.”*

## **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 - EDSI's Business Development Team manager, Business Development assistant and Depute Chief Executive.
- 6.3 Other – none

**7 BACKGROUND PAPERS**

- 7.1 Audit and Governance report 2017/18

<b>AUTHOR'S NAME</b>	Richard Baty
<b>DESIGNATION</b>	Business Development Manager
<b>CONTACT INFO</b>	Tel 7177 <a href="mailto:rbaty@eastlothian.gov.uk">rbaty@eastlothian.gov.uk</a>
<b>DATE</b>	6 November 2019



**EAST LOTHIAN LAND LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

# EAST LOTHIAN LAND LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Eric Murray William Innes John McMillan Alex McCrorie
<b>Secretary</b>	Richard Baty
<b>Company number</b>	SC208723
<b>Registered office</b>	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH41 3HA
<b>Auditor</b>	Campbell Dallas Audit Services Dundas House Westfield Park Eskbank Edinburgh EH22 3FB
<b>Business address</b>	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH41 3HA
<b>Bankers</b>	Handelsbanken 18 Charlotte Square Edinburgh EH2 4DF
<b>Solicitors</b>	Addleshaw Goddard Exchange Tower 19 Canning Street Edinburgh EH3 8EH

# EAST LOTHIAN LAND LIMITED

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Statement of cash flows	6
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# EAST LOTHIAN LAND LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MARCH 2019**

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The directors present their report and financial statements for the year ended 31 March 2019.

### Principal activities

The principal activity of the company continued to be that of trading in land for development.

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Eric Murray  
William Innes  
John McMillan  
Alex McCrorie

### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

  
Director  
26 August 2019



# EAST LoTHIAN LAND LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

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#### Opinion

We have audited the financial statements of East Lothian Land Limited (the 'company') for the year ended 31 March 2019 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's *responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

# EAST LoTHIAN LAND LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

  
Campbell Dallas Audit Services

26 August 2019

Accountants  
Statutory Auditor

Dundas House  
Westfield Park  
Eskbank  
Edinburgh  
EH22 3FB

# EAST LOTHIAN LAND LIMITED

## STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 2019

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	Notes	2019 £	2018 £
Administrative expenses		(6,059)	(2,861)
Other operating income		2	-
<b>Operating loss</b>		<u>(6,057)</u>	<u>(2,861)</u>
Interest receivable and similar income		1,700	1,223
<b>Loss before taxation</b>		<u>(4,357)</u>	<u>(1,638)</u>
Tax on loss		-	-
<b>Loss for the financial year</b>		<u>(4,357)</u>	<u>(1,638)</u>
Retained earnings brought forward		(200,630)	(198,992)
Retained earnings carried forward		<u><u>(204,987)</u></u>	<u><u>(200,630)</u></u>

# EAST LOTHIAN LAND LIMITED

## BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
<b>Current assets</b>					
Debtors	3	108,442		127,225	
Cash at bank and in hand		489,166		474,470	
		<u>597,608</u>		<u>601,695</u>	
<b>Creditors: amounts falling due within one year</b>	4	(2,595)		(2,325)	
<b>Net current assets</b>			<u>595,013</u>		<u>599,370</u>
<b>Capital and reserves</b>					
Called up share capital	5	800,000		800,000	
Profit and loss reserves		(204,987)		(200,630)	
<b>Total equity</b>			<u>595,013</u>		<u>599,370</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 26 August 2019 and are signed on its behalf by:

  
Director

Company Registration No. SC208723

# EAST LOTHIAN LAND LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

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	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	7		13,070		14,141
<b>Investing activities</b>					
Interest received		1,626		1,223	
<b>Net cash generated from investing activities</b>			1,626		1,223
<b>Net cash used in financing activities</b>			-		-
<b>Net increase in cash and cash equivalents</b>			14,696		15,364
Cash and cash equivalents at beginning of year			474,470		459,106
<b>Cash and cash equivalents at end of year</b>			<u>489,166</u>		<u>474,470</u>

# EAST LoTHIAN LAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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### 1 Accounting policies

#### Company information

East Lothian Land Limited is a private company limited by shares incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, EH41 3HA.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

The company has significant cash resources and very few liabilities. The directors consider that the company will continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.4 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

# EAST LOTHIAN LAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

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#### 1 Accounting policies

(Continued)

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### ***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

##### ***Basic financial liabilities***

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# EAST LOTHIAN LAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2019

#### 1 Accounting policies

(Continued)

##### *Deferred tax*

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 4 (2018 - 4).

#### 3 Debtors

	2019	2018
	£	£
Amounts due from parent entity	108,368	127,225
Other debtors	74	-
	<u>108,442</u>	<u>127,225</u>

Debtors include an amount of £79,889 (2018 - £99,757) which is due after more than one year.

#### 4 Creditors: amounts falling due within one year

	2019	2018
	£	£
Other creditors	<u>2,595</u>	<u>2,325</u>



# EAST LOTHIAN LAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

### 5 Called up share capital

	2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
800,000 Ordinary £1 shares of £1 each	800,000	800,000
	<u>800,000</u>	<u>800,000</u>

### 6 Parent entity

The company is controlled by East Lothian Council whose principal place of business is John Muir House, Brewery Park, Haddington, EH41 3HA. East Lothian Council is the smallest group of undertakings for which group accounts are prepared and of which the company is a member.

### 7 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(4,357)	(1,638)
<b>Adjustments for:</b>		
Investment income	(1,700)	(1,223)
<b>Movements in working capital:</b>		
Decrease in debtors	18,857	16,892
Increase in creditors	270	110
<b>Cash generated from operations</b>	<u>13,070</u>	<u>14,141</u>

**EAST LOTHIAN LAND LIMITED**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 MARCH 2019**

# EAST LOTHIAN LAND LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

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	£	2019 £	£	2018 £
<b>Administrative expenses</b>		(6,059)		(2,861)
<b>Other operating income</b>				
Sundry income		<u>2</u>		<u>-</u>
<b>Operating loss</b>		(6,057)		(2,861)
<b>Investment revenues</b>				
Bank interest received	<u>1,700</u>		<u>1,223</u>	
		<u>1,700</u>		<u>1,223</u>
<b>Loss before taxation</b>		<u>(4,357)</u>		<u>(1,638)</u>

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# EAST LOTHIAN LAND LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

*FOR THE YEAR ENDED 31 MARCH 2019*

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	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Administrative expenses</b>		
Legal and professional fees	3,025	165
Audit fees	2,100	1,650
Accountancy	815	985
Bank charges	119	61
	<hr/>	<hr/>
	<b>6,059</b>	<b>2,861</b>
	<hr/> <hr/>	<hr/> <hr/>





**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 26 November 2019  
**BY:** Chief Executive  
**SUBJECT:** Communities and Partnerships Risk Register

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**6**

## **1 PURPOSE**

- 1.1 To present to the Audit and Governance Committee the Communities and Partnerships Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Communities and Partnerships Risk Register is 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 Communities and Partnerships Local Risk Working Group (LRWG).

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the Communities and Partnerships Risk Register and in doing so, the Committee 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 Communities and Partnerships 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 Communities and Partnerships and are likely to be a feature of the risk register over a number of years.

## **3 BACKGROUND**

- 3.1 The Risk Register has been compiled by the Communities and Partnerships LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing 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 current Communities and Partnerships Risk Register includes 2 High risks, 25 Medium risks and 16 Low risks. Although the Council’s Risk Strategy asks only the Very High and High risks be reported to the Committee, all Medium Risks scoring ‘8’ or above have been included on this occasion.

#### **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 Communities and Partnerships LRWG 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 – Communities and Partnerships Risk Register 2019

7.2 Appendix 2 – Risk Matrix 2019

<b>AUTHOR’S NAME</b>	Scott Kennedy	
<b>DESIGNATION</b>	Emergency Planning, Risk and Resilience Officer	
<b>CONTACT INFO</b>	skennedy@eastlothian.gov.uk	01620 827900
<b>DATE</b>	14 November 2019	



**Communities and Partnerships Risk Register v12**

Date reviewed: 14 November 2019

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
C&P 1	I.T. Systems (Customer Services) Failure of IT systems (including Telephony) <ul style="list-style-type: none"> <li>Unable to deliver services some of which are vital services i.e. community alarm/telecare services for 3 Councils and 2 Housing associations/adult and children's social work calls/out-of-hours emergency calls</li> <li>Data unable to be inputted onto databases</li> <li>Activation of Business Continuity plan</li> <li>Customers unable to access self-service and get on-line</li> </ul> The majority of I.T. systems are Public Sector Network (PSN) compliant with the exception of Integrated Room Booking System (IRBS), Customer Relationship Management (CRM) & Closed Circuit Television (CCTV).  Any of the above would result in the Council being unable to meet customer expectations resulting in reputational damage, poor publicity and failure to provide essential services.	Business continuity plan in place, tested annually and review actions implemented. Any short term outages/incidents test resilience and inform BC Plan.  All software updated regularly.  Regular meetings with staff to ensure they are aware of business needs; staff procedure up to date, staff trained and aware of outcomes and controls.  3rd party provider support and BC plans held (IRBS/Qnomy/Capita/Bolinda/People's network/MODES).  Manual procedures in place to support service provision, where possible: Social work service advised of any telephony problems in order that they can check on most vulnerable clients and make contacts, carers and emergency response service aware.  Alternative backup solutions identified where possible e.g. CRM, Netcall 2nd server, Assure (libraries) etc.  New Wi-Fi contract awarded March 2019.  CRM system procurement and awarded November 2018.  IRBS support contract extended to October 2020.  Peoples Network and Library Booking System contracts extended to March 2020.  CCTV system upgraded June 2018 and now PSN compliant with further upgrade September 2019 to further enhance compliance.	4	4	16	IRB system (bookings) to be part of the Customer Platform Programme or a stand alone system.  New Customer Relations Management System implementation programme ongoing. Phase one implemented March 2020  Netcall Call Management System contract expires October 2020 and will require extended or replaced.  Re-tender for Peoples Network taking place in 2020.	2	3	6	Service Manager - Customer Services	September 2020  March 2020  October 2020  September 2020	Risk refreshed by Service Manager - Customer Services October 2019 with no change to assessment of scores.  Risk refreshed by Customer Service Managers January 2017 with current score increased from 9 to 16 and residual score reduced from 9 to 6.
C&P 2	Service Capacity (Customer Services)  Breadth of service delivery across East Lothian and staffing pressures, underpinned by budgetary constraint, stretches resources leading to an inability to sustain services which may impact on the ability to meet priority frontline services e.g. Customer Service desks and libraries and Contact Centre.  The workforce profile and demographic may lead to increased vacancy rate, staff absence and staff turnover.  Failure to address this risk could lead to:	Service Plans and Business Continuity Plans in place.  Partnership working with Midlothian and Scottish Borders Council expanding expands service provision and generating generates service sustainability and income.  Staff Performance Review and Development deployed consistently.  Managing Attendance Policy deployed consistently.	4	3	12	Continue to explore further business opportunities and funding streams to maximise use of resources and achieve income potential e.g. Museum Scotland grants/ Historic Environment Funding etc.  Develop graduate intern opportunities to meet service professional requirements e.g. graduate librarian, graduate systems staff, graduate communications interns.  Online Customer Service platform will improve linkages to other systems and enable access to self-serve for	3	3	9	Service Manager – Customer Services	Under constant review  Ongoing  September 2020	Risk refreshed by Service Manager – Customer Services – 2.10.19 with current risk increased from 9 to 12.  Risk refreshed by Head of Communities and Partnerships August 2018 with Current Score reduced from 12 to 9.  Risk refreshed by Customer Service Managers March 2018 no

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
	<ul style="list-style-type: none"> <li>Inability to develop service and staff skills/knowledge e.g. school librarians</li> <li>Inability to effectively meet stakeholder and customer demand</li> <li>Reduced ability to introduce legislative changes effectively.</li> <li>Challenge in appropriately resourcing new services (staffing and equipment) e.g. new school library</li> <li>Workforce capacity pressures (e.g. attendance management, role redesign) resulting from service developments embedding new ways of working to meet strategic priorities e.g. digital strategy, asset management, financial strategy, within budget allocation.</li> </ul>	<p>Flexible deployment of staff and Locum/casual/relief posts within Local Area offices /Libraries/ Contact Centre and Museum Service and use of volunteers within Library and Museum Service to meet peaks and troughs of service demand.</p> <p>New fulltime posts on a higher grade introduced within Library and Customer Services team to try to address the constant churn of staff gaining promotion to other parts of the Council</p> <p>Revision of staff rotas within Community Response service has improved working arrangements.</p> <p>Active monitoring of staffing budgets with Finance to move staffing resource to where it is needed</p> <p>“Pairing up” of fulltime and part-time library branches so that staff in each area become familiar with the other and to cover where necessary</p> <p>Close monitoring of RIVO in relation to staff experiences/stress and risk assessments completed.</p> <p>Provision of effective staff Induction and ongoing training e.g. CSPQ, Mindfulness, Mental Health etc.</p> <p>Performance Indicators analysed informing service delivery and management.</p> <p>Provide data and analysis to support bids for additional resources or business case to reduce/withdraw resources.</p> <p>Knowledge software deployed within key areas and evaluated and staff trained to extract, interpret and apply knowledge.</p> <p>Programme of Service Reviews ongoing e.g. Libraries Review</p> <p>Promote alternate customer service options i.e. channel shift to increase online service delivery, and reduce face-to-face and cash handling service provision.</p> <p>Service Review of Facilities Management Services.</p>				<p>customers, reducing resource demand within services.</p> <p>Customer Services Service Review which will include Engagement with HR and finance to ensure appropriate role and grading definitions within the service and broader corporate context.</p> <p>Continue to focus on income generation to supplement service revenue budget.</p> <p>Review Customer Services physical assets in the context of the Corporate Asset Strategy as regards Asset Rationalisation.</p> <p>Monitoring of staffing and resource capacity leading to interim operational arrangements regarding opening hours.</p>					<p>September 2020</p> <p>September 2020</p> <p>September 2020</p> <p>March 2020</p>	<p>change to assessment of scores.</p> <p>Risk Control measures refreshed to include library services– Risk rating increased due to significant period of change which will result in increased likelihood of resource issues – May 2014</p> <p>Wide range of services being provided and so any long term absence becoming difficult to sustain.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
C&P 3	<p><b>Environmental Health</b></p> <p>Interventions in Health and Safety enforced premises allocated to ELC under appropriate legislation.</p> <p>Failing to respond satisfactorily to a major incident, death or serious personal injury in local businesses and organisations under Environmental Health's enforcement regime has negative impacts on financial and reputational risk. There could be</p> <ul style="list-style-type: none"> <li>further risk to life and limb if the occurrence allowed to remain unidentified/unresolved or continue for longer than necessary</li> <li>impact on public and business confidence within East Lothian.</li> <li>cause a reputational risk for the Council if the response was unsatisfactory</li> <li>attract significant media interest</li> <li>a public enquiry/formal investigation into the incident, which would impact on the deployment of Council resources to carry out day to day work.</li> <li>third party insurance claims made against the Council.</li> <li>Depending upon the nature of the incident, the area may require evacuation and/or decontamination.</li> </ul> <p>Through limited proactive engagement with business, as directed by UK Government, the variable nature of commercial sector and willingness of business operators means likelihood is realistically and accurately always above 1.</p>	<p>Appointment, development and retention of sufficient authorised inspectors to investigate incidents and regulate duty holders through health &amp; safety inspection and intervention programmes.</p> <p>Associated enforcement action is taken where it is identified that controls have broken down or have been breached.</p> <p>Enforcement is conducted by trained and competent Environmental Health Officers, and Technical Officers, with ongoing CPD requirements.</p> <p>The business plan and inspection process are reviewed annually.</p> <p>Specialist knowledge/expertise sought from partners (HSE) if and when appropriate.</p> <p>Environmental Health will disseminate information to the general public through Face to Face engagement, App and Website to advise them of the risks and any appropriate precautions they should take to mitigate any risks.</p> <p>Of prime importance in an incident is the communication of the message, whether this message is primarily the responsibility of East Lothian Council, National Health Service, Scottish Government, Scottish Water, Food Standards Scotland. Therefore, the ELC Corporate Communications team has a vital role in relation to both the messaging and the use of the Environmental Health App. In addition, the Business Continuity Plans may have to be put in force should a serious incident occur that requires a community council response.</p>	2	4	8	Added Resilience from the Corporate Health and Safety Team where deemed necessary.	2	4	8	Service Manager – Protective Services	December 2019	<p>Risk refreshed October 2019 with no change to assessment of risk scores.</p> <p>Risk refreshed February 2017 with current score reduced from 10 to 8 due to new staffing structure</p> <p>Risk updated January 2015 by Environmental Health Partnership Manager, current score increased from 8 to 10.</p>
C&P 4	<p><b>Animal Health/Welfare Incident</b></p> <p>Any major animal health and welfare incident e.g. avian influenza, foot and mouth, rabies, animal neglect etc. could have significant impact on local farms and business and on East Lothian as a whole (transport, rural schools etc.).</p> <p>Any incident of this nature would affect the day-to-day delivery of certain Council services incl. Chief Executive's office, Contingency Planning, Communications, Safer Communities, Roads, Dog Warden, Env. Health, Estates and Economic Development.</p> <p>Potential to close down parts or all of the county. Restrictions on movement of</p>	<p>All Trading Standards employees have enforcement responsibilities under animal health and welfare legislation.</p> <p>All Trading Standards employees are trained on awareness issues and this is reviewed annually.</p> <p>Employees attend the East of Scotland Animal Health &amp; Welfare panel.</p> <p>Established liaison/incident response arrangements with the Animal and Plant Health Agency (APHA).</p> <p>The Council has a major incident plan, which may be activated.</p> <p>As part of the Animal Health &amp; Welfare Framework with APHA, risk assessed</p>	2	4	8	Added Resilience from the Safer Communities Team (Dog Warden) where deemed necessary.	2	4	8	Service Manager - Protective Services  Principal Trading Standards Officer		<p>Risk refreshed August 2019 by PTSO with both scores increased from 4 to 8.</p> <p>Risk refreshed May 2018 with both scores reduced from 8 to 4.</p>

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			L	I	L x I		L	I	L x I			
	animals or the public can apply. Business activity/tourism could be curtailed etc.  The Council has a duty to make arrangements for care of animals where serious neglect is established which could have both financial and resource impact.	visits carried out annually to certain high risk premises. APHA also conduct their own visits.  Information and advice placed on website, social media. Incident desk would require to be manned in a major incident.										
C&P 5	Loss or damage of assets  Loss or damage of assets due to fire, explosion, storm, flood, malicious damage, theft, lack of repair/maintenance, lack of adequate security measures, loss of utility supply or lack of facility support could result in (using Brunton Hall as an example): <ul style="list-style-type: none"> <li>Inability to access office accommodation, equipment, data;</li> <li>Damage to equipment including our irreplaceable heritage assets e.g. museum objects, paintings and/or all other assets held within these premises;</li> <li>Inability to retrieve data;</li> <li>Serious injury to staff/members of public;</li> <li>Long term absences;</li> <li>Loss of Income</li> <li>Damage to the public reputation of the BH as a professionally managed and safe high class public service centre and events/theatre venue</li> <li>Loss of income to Brunton Theatre Trust and to ELC if customers are discouraged from using facilities due to anti-social and inappropriate behaviour.</li> </ul>	Business continuity planning in place and alternative premises identified; plans and training records reviewed annually.  Key equipment and maintenance contracts are kept up to date and in good working order.  Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition".  Regular fire drills carried out, H&S workplace inspections and Risk Assessments, while staff are trained in aspects relating to good working practices and in relation to fire drills and security procedures.  Emergency planning procedures in place and regularly tested e.g. Service disaster plans for Museums.  Alarm systems and CCTV systems in place for some museums and libraries.  Inventory held of all Council paintings, recording values, locations and conservation needs in accordance with the Councils Museum Collections Policy.  Accreditation governing the quality of care for collections and museum buildings received from the Museums Association and reviewed tri-annually.  All Museums have had security surveys carried out by Police Scotland, which will be refreshed every five years.  Regular reporting and investigation of incidents and remedial action taken and highlighted to management if necessary, while all incidents reported on Sphera.  Authorised building access and egress routes operate securely and are monitored – Caretaker deployed in foyer of Brunton Hall to assist customers and respond to any issues.	2	4	8	All senior staff to attend update managing safely course.  Revision of inspection regime by Health and Safety.	2	4	8	Service Manager - Customer Services  Service Manager – Connected Communities	December 2019  December 2019	Risk refreshed by Customer Service Manager in October 2019 and merged with former risk specifically on Brunton Hall.  Revision of inspection regime by Health and Safety  Risk refreshed February 2018 with no change to current risk scores.  Refreshed November 2015 with current score reduced from 10 to 8.

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		<p>Main Brunton hall back doors are closed whilst theatre performances are on to reduce inappropriate use of building</p> <p>Problem solving partnership operating in key buildings when necessary ie Brunton Hall.</p> <p>User Groups meet regularly at Brunton Hall, Library and Museum HQ and John Gray Centre, Haddington.</p>										
C&P 6	<p>Contact Centre Community Response</p> <p>This is a call service for telecare/community alarm customers for East Lothian Council, Midlothian Council and Scottish Borders Councils.</p> <p>A failure in Community Response processes i.e. staff not dealing with calls appropriately, not following scripts, not asking appropriate questions, making assumptions about what is wrong/who the caller is, not dealing with requests timeously/not noting key information etc. could result in:</p> <ul style="list-style-type: none"> <li>Serious injury to customers</li> <li>Fatality of customers</li> <li>Loss in confidence by stakeholders/partners/customer</li> <li>Financial loss due to liability claims</li> <li>HSE involvement</li> <li>The Council could become unable to respond to customer requests at the first point of contact.</li> </ul> <p>All of the above could lead to reputational and or financial damage to the council and poor publicity.</p>	<p>Staff recruited for key qualifications, skills &amp; attributes.</p> <p>Continual communication, training and staff development, which is aligned to good practice, industry standards and service delivery levels, monitored through PRDs.</p> <p>Monitor performance and service provision e.g. call monitoring.</p> <p>Embedding services for Scottish Borders Council i.e. telecare and out-of-hours calls has increased capacity and resilience.</p> <p>Solo Operating risk assessment and working procedure in place.</p> <p>Lessons learned report from incidents.</p> <p>Ongoing development of closer working between colleagues and stakeholders.</p> <p>Staffing review to increase flexibility in relation to shift cover within CRT completed February 2018. Almost all staff now have built in responsibility to cover shift gaps.</p> <p>Additional staff recruited to Community Response Service July 2018.</p> <p>CECOPS accreditation received 2019</p>	2	4	8				<p>Service Manager – Customer Services</p> <p>Team Manager - Contact Centre</p>		<p>Risk refreshed by Customer Service Managers – 2.10.19 – with residual score increased from 4 to 8.</p> <p>Risk refreshed by Customer Service Managers March 2018 with Current Score reduced from 12 to 8 and residual score reduced to 4 by Head of Service.</p> <p>Risk refreshed January 2017 – current score increased from 8 to 12.</p>	
C&P 7	<p>Communicable Disease incidents</p> <p>A major outbreak of food poisoning or a public health incident could result in serious illness or fatalities to the public. If such an incident is not adequately responded to this could:</p> <ul style="list-style-type: none"> <li>allow the outbreak or incident to remain unidentified or continue for longer than necessary. Thereby, possibly causing additional unnecessary illnesses.</li> <li>impact on public and business confidence within East Lothian.</li> <li>cause a reputational risk for the Council if the incident response was unsatisfactory</li> <li>attract significant media interest</li> </ul>	<p>Appointment, development and retention of sufficient authorised officers to regulate food businesses through a food safety inspection programme including enforcement action where controls are known to have broken down or have been breached, including sampling.</p> <p>The Business Plan, inspection process and Business Continuity Plan overarch service delivery and are reviewed annually.</p> <p>Established major/ incident response arrangements with NHS Lothian.</p> <p>Rigorous monitoring of water supplies.</p>	2	4	8	<p>Promote key public health campaigns and communicate safeguard actions as and when incidents occur.</p> <p>Strengthen Relationship with Health and Social Care Partnership.</p>	2	3	6	Service Manager – Protective Services	<p>December 2019</p> <p>December 2019</p>	<p>Risk refreshed October 2019 with no change to assessment of risk scores.</p> <p>Risk refreshed February 2017 with current score reduced from 10 to 8 due to new staffing structure</p> <p>Risk refreshed November 2015 with residual score reduced from 10 to 8.</p>

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	<ul style="list-style-type: none"> <li>result in a public enquiry/formal investigation into the incident, which would affect the deployment of Council resources to carry out day-to-day work.</li> <li>cause a significant increase in workload as an enquiry or investigation could run for several years.</li> <li>cause third party insurance claims to be made against the Council.</li> <li>Depending upon the nature of the incident, the area may require evacuation and/or disinfection.</li> </ul> <p>Despite implementing preventative measures and provisions, the variable nature and potential wide ranging sources of public health incidents means likelihood is realistically and accurately always above 1.</p>	<p>Service delivery is conducted by trained and competent Environmental Health Officers and Food Safety Officers.</p> <p>Specialist Knowledge sought from partners (NHS and HPS) if and when appropriate</p> <p>The Council has a Joint Health Protection Plan and major incident plan, which may be activated.</p> <p>Of prime importance in an incident is the communication of the message, whether this message is primarily the responsibility of East Lothian Council, National Health Service, Scottish Government, Scottish Water, Food Standards Scotland. Therefore, the ELC Corporate Communications team has a vital role in relation to both the messaging and the use of the Environmental Health App.</p>										
C&P 8	<p>Public Health/Nuisance Incident</p> <p>Major public health/nuisance incident such as environmental contamination or significant dust/noise/other pollution caused by individuals and/or local businesses would result in major public complaint to the Council.</p> <p>An inadequate response to any such incident and any resulting public complaints could result in reputational risk to the Council.</p> <p>There could be enforcement responsibilities for the Council resulting in an impact on the day-to-day service delivery.</p> <p>In relation to any environmental contamination, there may be a significant financial cost to the Council in organising a clean-up where a responsible third party cannot be identified.</p>	<p>Appointment, development and retention of sufficient authorised inspectors to investigate incidents and regulate duty holders regarding environmental protection matters.</p> <p>Trained and competent Officers to enable appropriate response.</p> <p>Council Emergency Planning arrangements include a Chemical Incident plan and an Oil Pollution plan, while multi-agency response arrangements are in place.</p> <p>The Council has Chemical Incident response arrangements in place with a specialist company (RAW Group).</p> <p>SEPA monitoring of bathing waters from June – September. Close liaison with SEPA and Scottish Water should incident involve pollution of watercourse/sea.</p> <p>Enhanced Blue green algae monitoring.</p> <p>Contact Centre issued with correct information in order to ensure a fast and appropriate response from relevant teams within the Council.</p> <p>Use of APP/Social Media/Council website to communicate general information and also during and after incidents.</p> <p>Public awareness raised following incidents and any enforcement action taken highlighted.</p>	2	4	8	<p>Proportionate and effectively resourced shift pattern being devised.</p> <p>Added Resilience from the Safer Communities Team.</p>	2	3	6	Service Manager – Protective Services	<p>December 2019</p> <p>December 2019</p>	<p>Risk refreshed October 2019 with no change to assessment of risk scores.</p> <p>New risk added January 2015 by Environmental Health Partnership Manager</p>

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C&P 9	<p>Building on Contaminated Land</p> <p>Allowing building on contaminated land without sufficient intervention to ensure that any relevant pollutant linkage is permanently broken could result in:</p> <ul style="list-style-type: none"> <li>• Allowance of any contamination to present a 'Significant possibility of Significant Harm' (SPOSH) to the receptor be that human health or the water environment</li> <li>• An impact on public and business confidence within East Lothian.</li> <li>• reputational risk for the Council</li> <li>• heightened local media interest.</li> <li>• require remedial works to be conducted</li> <li>• third party insurance claims to be made against the Council.</li> </ul>	<p>Contaminated Land Officer currently advises on all aspects of Contaminated Land Regime (Part IIA) and consults with Development Control on accordingly.</p> <p>Officer undergoes regular, relevant training with regards to all aspects of Contaminated Land and any enquiries, concerns or information concerning Contaminated Land issues are relayed to the Contaminated Land Officer.</p> <p>Appointment of external Consultants (suitably qualified) where required for more extensive Part IIA determinations (requiring SI's and risk assessments).</p> <p>All sites determined as being Part IIA are shown on the Contaminated Land Register held by the Council. There are currently no entries on this Register.</p> <p>Policies and procedures applying in any incident ensure prompt intervention, guidance and advice to members of the public and landowners.</p>	2	4	8	<p>Ongoing prioritisation and assessment of potentially contaminated sites according to the Council's Contaminated Land Strategy, specifically dealing with Part IIA. Any Council owned sites found to contain a pollutant linkage would be further investigated (SI) and remediated, if necessary.</p> <p>Ongoing consultation with Development Control regarding planning applications in relation to potential impact from contaminated land. Conditions would be specified on Planning Consent relating to investigation, remediation and validation.</p>	2	3	6	Service Manager – Protective Services	Ongoing	<p>Risk refreshed October 2019 with no change to assessment of risk scores.</p> <p>New risk added January 2015 by Environmental Health Partnership Manager</p>
C&P 10	<p>Specialist roles/ skills</p> <p>The high number of specialist roles/skills within Communities and Partnerships means that for example service reviews, budget restrictions, long-term absence, cessation of contract etc. would compromise service delivery through 'single points of failure'.</p> <p>There is a risk that staff absence could result in loss of capacity, skills and experience to undertake key roles required to deliver key tasks.</p> <p>This would generate delay in production of key plans and reporting and could limit the organisation's ability to take informed business decisions.</p> <p>An area of concern in the Customer Services team is the School Librarian role. Difficulties in recruiting due to a number of Councils UK wide reducing school librarian posts and once staff are in that role, there is a tendency to stay in that role so turnover is not high. When we do recruit, not a large amount of qualified staff apply.</p>	<p>Individuals encouraged to work jointly, where appropriate.</p> <p>Project team approach to some areas of work.</p> <p>Staff encouraged to have detailed work plans.</p> <p>External support brought in if required.</p> <p>Employees have the ability to work from home.</p> <p>Continue to Identify critical 'specialist' work and contingency measures such as cross training, shadowing, alternative 'backup' provision and support arrangements.</p> <p>Cross team training on issues such as project management and good relations with partner organisations such as the Improvement Service which allows for secondment of staff with specialist skills.</p> <p>Support Chartership qualifications amongst existing librarian staff and have lower graded post-holders supporting the school library service in order to make best use of our qualified school librarians.</p>	4	2	8	Service reviews are being completed throughout Communities and Partnerships.	3	2	6	Service Manager Corporate Policy & Improvement	December 2019	<p>Risk reviewed Sept 2019 with no change to assessment of risk scores.</p> <p>Risk reviewed April 2018 – residual score reduced from 8 to 6.</p> <p>Risk refreshed February 2017 - current score reduced from 12 to 8 and residual score from 9 to 8.</p>

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C&P 11	<p>Corporate Health &amp; Safety Controls &amp; Legislation</p> <p>Failure to implement adequate Corporate H&amp;S controls and to comply with H&amp;S legislation could result in poor performance, diminution of service and could result in injury to employees or the public leading to possible insurance claims and reputational damage to the Council.</p> <p>Inconsistent H&amp;S governance in respect of:</p> <ul style="list-style-type: none"> <li>The policies/practices in place</li> <li>Performance monitoring</li> <li>Statutory compliance</li> <li>Employee training</li> </ul> <p>would leave the Council more open to accidents, incidents litigation and reputational damage.</p> <p>Failure to adequately monitor and manage the health surveillance regime could lead to increased employee absence and intervention from the H&amp;S Executive.</p>	<p>Safety Policy and Management arrangements &amp; procedures and specialist staff in place.</p> <p>The ELC H&amp;S Safety Management System is in operation</p> <p>Sphera data analysis to identify control and risk issues.</p> <p>Reporting quarterly to JH&amp;S Committee and reporting to JCG's ensures scrutiny by management and trades unions.</p> <p>Health, Safety &amp; Wellbeing Plan has been drawn up and approved by CMT</p> <p>Programme of employee health and safety training in place.</p> <p>Occupational Health and Physiotherapy partner contractors operate to specification set by Council and are monitored for performance and Standards Compliance</p>	2	4	8	<p>Service review underway to resource a full programme of inspections and audits to be undertaken which the Health and Safety Audit programme will monitor.</p> <p>Review of Risk Assessments will identify where Health Surveillance is required.</p>	2	3	6	Service Manager – Protective Services	<p>December 2019</p> <p>December 2019</p>	<p>Risk refreshed September 2019 with no change to assessment of risk scores.</p> <p>Risk refreshed February 2017 - Current score reduced from 12 to 8.</p> <p>Two risks reviewed and combined to form this one risk by Service Manager CP&amp;I February 2015 and refreshed January 2016.</p>
C&P 12	<p>Compliance with ELC Safety Management Systems</p> <p>Failure to comply with statutory Health &amp; Safety Regulations resulting in financial risk to the Council through insurance claims and Fees for Intervention cost for incident investigation by the HSE.</p> <p>Enforcement notices and/or other punitive actions may also apply If illness/injury/death occur as a result of non-compliance.</p> <p>Public interest/reputational damage may occur as a result of accidents to staff/service users/members of the public</p>	<p>Risk assessments in place for all most tasks to identify hazards/risks and implement control measures.</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>Managers/Supervisors monitor tasks for compliance with Safe Systems of Work.</p> <p>Managers are attending ongoing training courses to ensure they have a good understanding of their role with regards to the requirements on them by current H&amp;S Regulations.</p> <p>All reported incidents are investigated to an appropriate level.</p>	2	4	8	Ongoing work to support Managers to improve the quality of Risk Assessments (Property, Amenity Services and Facilities management)	2	3	6	Service Manager – Protective Services	March 2020	Risk refreshed October 2019 with Current Score increased to 8 and Residual score to 6.
C&P 13	<p>Emergency Planning, Incident Response and Management</p> <p>Failure to maintain, review and exercise Contingency Plans and to comply with current legislation or to contravene current legislation, which would result in severe penalties as well as an ineffective response to emergencies.</p>	<p>Contingency plans in place including generic, site specific, event specific and response specific while incident response processes and resources are identified in contingency plans.</p> <p>Training and exercises to ensure emergency arrangements remain 'fit for purpose' and to test the robustness of contingency plans.</p>	2	4	8	Nine Community Councils are considering creating Resilient Communities plans and two are not engaging.	1	4	4	<p>Emergency Planning and Risk Manager</p> <p>Service Manager – Protective Services</p>	December 2019	Risk refreshed November 2019 with no change to assessment of scores.



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	Any ineffective preparation and planning for potential crises and disruptive events such as those reflected within the Community Risk Register, that directly relate to the council as a 'Category 1 Responder' may result in the council's inability to effectively respond and manage the event in a way that minimises harm to the community, our employees and the reputation of the council.	<p>Ensure that 'key' ELC players continue to stay abreast of incident/ emergency response arrangements and processes and are aware of their role and how they integrate with multi-agency partnership working.</p> <p>The Council continues to work with the Community Councils and other community groups e.g. Tenants and Residents Associations to promote and progress 'Resilient Communities' as per the Scottish Government initiative 'Ready Scotland' and Communicates directly with community groups when risk warnings are received.</p> <p>East Lothian Resilient Community workshops have been completed in October 2014, 2018 and 2019 to ensure all Community Council officials are fully aware of 'Resilient Communities' as per the Scottish Government initiative 'Ready Scotland'.</p> <p>Corporate emergency planning arrangements are in place, including media and public information arrangements.</p> <p>Working with other Category 1 and 2 Responders e.g. Police Scotland, SFRS, Scottish Ambulance Service, Utility companies etc. as defined by the Civil Contingencies Act 2004 to ensure an effective and integrated response.</p> <p>The Events and Resilience Officer deals with Events and Emergency Planning.</p> <p>Debriefing processes are followed to enable lessons to be learned and fed back into contingency planning.</p> <p>North Berwick Community Council has completed a plan and table top to ensure it is fit for purpose. The plan has been promoted to others as best practice. Eight Community Councils now have a full plan and volunteer list which can be activated. Pencaitland has a resource list only.</p>											
<b>Original date produced (Version 1)</b>		06 May 2014									<b>Overall Rating</b>		
<b>File Name</b>		Policy and Partnerships Risk Register									<b>Very High</b>		
<b>Original Author(s)</b>		Scott Kennedy, Risk Officer									<b>High</b>		
<b>Current Revision Author(s)</b>		Scott Kennedy, Risk Officer									<b>Medium</b>		
<b>Version</b>		<b>Date</b>			<b>Author(s)</b>		<b>Notes on Revisions</b>					<b>Low</b>	
1		May/June 2014			S Kennedy		Former Policy and Partnerships Risk Register altered to become the Communities and Partnerships Risk Register with risks transferred in and out following realignment.						

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2		November/December 2014	S Kennedy			Community Partnerships, CP&I (Occupational Development, Health & Safety, Policy & Customer Feedback Risks refreshed)						
3		February 2015	S Kennedy			CP&I (EP, BC &RM) risks updated and all CP&I risks reviewed by Service Manager and Customer Services Risks reviewed by Service Manager. Community Housing Risks updated by Service Manager. Final review undertaken by Head of Service with minor changes made.						
4		November 2015	S Kennedy			Customer Service and Community Partnerships Risks updated by managers.						
5		January 2016	S Kennedy			Corporate Policy & Improvement Risks Reviewed						
6		February 2016	S Kennedy			Community Housing Risks Reviewed.						
7		December - February 2017	S Kennedy			Area Partnership Risks created and refreshed. Customer Feedback Risks transferred to Council Resources Risk Register. All risks refreshed by Service Managers and reviewed by Head of Service and CMT.						
8		November 2017	S Kennedy			Community Housing and Homelessness Risks moved to Development Risk Register while Protective Services and Trading Standards risks moved from Development Risk Register following Council Service Review.						
9		April/May 2018	S Kennedy			Protective Services, Customer Services, Community & Area Partnerships and Corporate Policy and Improvement Risks updated and then further reviewed by new Head of Service.						
10		July 2018	S Kennedy			Full Register Reviewed and Updated by Head of Service						
11		August – October 2019	S Kennedy			All risks updated by Service Managers.						
12		October 2019	S Kennedy			Register review by Head of Service and following this updates made by Service Managers.						

**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	Legal
Catastrophic	5	Unable to function, inability to fulfill obligations.	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances)	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.	Significant disruption to building, facilities or equipment (Loss of building, rebuilding required, temporary accommodation required).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions.
Major	4	Significant impact on service provision.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty)	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.	Major disruption to building, facilities or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council.
Moderate	3	Service objectives partially achievable.	Significant impact on budgets (can be contained within overall directorate 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.	Moderate disruption to building, facilities or equipment (loss of use of building for medium period).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council.
Minor	2	Minor impact on service objectives.	Moderate impact on budgets (can be contained within service head's 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.	Minor disruption to building, facilities or equipment (alternative arrangements in place and covered by insurance).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council.
Minimal	1	Minimal impact, no service disruption.	Minimal impact on budgets (can be contained within unit's 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 media (Internal).	Minimal disruption to building, facilities or equipment (alternative arrangements in place).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council.

Risk	Impact				
	Minimal (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
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**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 26 November 2019

**BY:** Chief Executive

**SUBJECT:** Council Resources Risk Register

**7**

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## **1 PURPOSE**

- 1.1 To present to the Audit and Governance Committee the Council Resources Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Council Resources Risk Register is 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 Council Resources Local Risk Working Group (LRWG).

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the Council Resources Risk Register and in doing so, the Committee 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 Council Resources 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 Council Resources and are likely to be a feature of the risk register over a number of years.

## **3 BACKGROUND**

- 3.1 The Risk Register has been compiled by the Council Resources LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing 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 current Council Resources Risk Register includes 2 Very High, 5 High risks, 23 Medium risks and 8 Low Risk. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

#### **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 Council Resources LRWG 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 – Council Resources Risk Register 2019

7.2 Appendix 2 – Risk Matrix 2019

<b>AUTHOR'S NAME</b>	Scott Kennedy	
<b>DESIGNATION</b>	Emergency Planning, Risk and Resilience Officer	
<b>CONTACT INFO</b>	skennedy@eastlothian.gov.uk	01620 827900
<b>DATE</b>	14 November 2019	

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 1	<p>External IT Security Threats</p> <p>Council IT systems are compromised by criminal <b>3rd party</b> (e.g. hacker, terrorism) - causing the loss of a system, virus/Trojan/ransomware infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p>	<p>Firewalls in place</p> <p>External facing systems are vulnerability tested at least once a year.</p> <p>Security logs are reviewed daily.</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems.</p> <p>Information security awareness training of employees provided council wide and awareness sessions carried out in schools.</p> <p>Regular software and data backups are taken.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security.</p> <p>Security systems under continuous review and patching to ensure they are still capable of controlling new and emerging threats.</p>	4	5	20	<p>Acceptable use policy for all ELC employees is to be refreshed by March 2020 and all employees will be expected to re-sign.</p>	3	5	15	Team Manager – Infrastructure & Security	March 2020	<p>Risk reviewed and updated by IT management August 2019 with no change to score.</p> <p>Risk refreshed December 2015 with Current score increased from 15 to 20 and residual from 12 to 15 due to recent breach.</p> <p>Risk refreshed November 2014. Current Risk Score increased from 10 to 15 and Residual Risk score increased from 5 to 12 due to heightened risk.</p>	

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating				
			L	I	L x I		L	I	L x I				
CR 2	<p>Internal IT Security Threats</p> <p>Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan/ransomware infection or loss/disclosure of data. This potentially would have a serious impact on the business of the Council.</p> <p>HMG and UK Governments National Cyber Security Centre class the risk of cyber-attack in the UK as severe and threat from internal has risen due to ransomware attack increase.</p>	<p>Internal IT Systems are protected by antivirus, group policy etc.</p> <p>Security logs are reviewed daily</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems.</p> <p>Information security awareness training of employees provided council wide and awareness sessions held in schools.</p> <p>Regular software and data backups are taken.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle</p> <p>The Council complies with ISO27001 the International standard for Information Security</p> <p>Continual vulnerability testing.</p> <p>Security systems under continuous review and patching to ensure they are still capable of controlling new and emerging threats.</p>	4	4	16	Acceptable use policy for all ELC employees is to be refreshed by March 2020 and all employees will be expected to re-sign.	3	4	12	Team Manager – Infrastructure & Security	March 2020	N/A	<p>Risk reviewed and updated by IT management August 2019 with current score reduced from 20 to 16.</p> <p>Risk reviewed and updated by IT management October 2016 and with Current Risk score raised from 16 to 20 and residual score from 9 to 12 due to increase in current attacks in the UK.</p> <p>Risk refreshed December 2015 with Current score increased from 12 to 16 due to recent breaches.</p> <p>Risk refreshed November 2014 and Residual Risk Score increased from 6 to 9.</p>
CR 3	<p>Loss of Internet Connectivity</p> <p>Complete loss of ELC's circuit to the Internet, resulting in no access to external systems, which include but not limited to Pecos, SEEMIS (schools management system) external email, home working access etc. This would have a serious impact on the business of the Council.</p>	<p>SLA's in place with supplier who has resilient backbone in place.</p>	3	5	15	Introduce a second link to Internet from network outwith Haddington.	1	5	5	Team Manager – Infrastructure & Security	June 2020	N/A	<p>Risk reviewed and updated by IT management August 2019 with no change to score.</p>
CR 4	<p>Data Breach</p> <p>Breach of Data Protection or other confidentiality requirements through the loss or wrongful transmission of information through for example:</p> <ul style="list-style-type: none"> <li>- private committee reports, minutes or correspondence being stored or disposed of inappropriately;</li> <li>- loss or misdirection of material during transit;</li> <li>- members of staff being unaware of their responsibilities in respect of confidential material and/or personal data;</li> <li>- intentional or malicious misuse of personal data;</li> <li>- lack of appropriate facilities for storage or disposal of material;</li> </ul>	<p>Secure filing and storage of confidential papers and disposal of confidential waste separately from other papers.</p> <p>Internal mail and/or Council Contractor used to transport Private &amp; Confidential materials.</p> <p>Council PCs and laptops do not accept unencrypted external storage devices.</p> <p>Checks on documents are made by a second clerk when relevant documents are uploaded to internet.</p> <p>Data Protection Policy</p>	3	4	12	<p>Acceptable use policy for all ELC employees is to be refreshed by June 2020 and all employees will be expected to re-sign.</p> <p>Monitoring of take up of compulsory Data Protection training with service managers being alerted to those members of staff who have not completed up to date training.</p> <p>Information Asset Register to be developed that links all Data Protection Impact Assessments, Data Sharing Agreements and Data Processing Agreements</p> <p>Re-assessment of records management arrangements to be</p>	3	3	9	<p>Team Manager – Information Governance</p> <p>Team Manager – Infrastructure and Security</p>	<p>June 2020</p> <p>June 2020</p> <p>June 2020</p> <p>April 2020</p>		<p>Risk refreshed by Service Manager- People and Governance September 2019 with no change to assessment or score</p> <p>Risk refreshed October 2017 by Service Manager with no change to assessment of score.</p> <p>Risk refreshed December 2015 with current score increased from 9 to 12 due to recent</p>



Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
	<p>Risks include:</p> <ul style="list-style-type: none"> <li>- breach of relevant laws;</li> <li>- breach of duty of care;</li> <li>- harm to individuals;</li> <li>- legal action and fines;</li> <li>- requirement to pay compensation;</li> <li>- adverse publicity;</li> <li>- damage to the Council's reputation.</li> </ul> <p>The Council's increased participation in shared services poses a risk for information security/data protection, as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p>Paper records storage facilities (excluding the Council Archives) do not currently have sufficient access, file tracking or disaster management controls to prevent unauthorised access or accidental loss of personal data. Paper records storage procedures are not consistently applied across the Council.</p> <p>Any breaches could result in loss of PSN connection or fines from the Information Commissioner.</p> <p>Failure to improve records management arrangements could result in non-compliance with the Public Records (Scotland) Act 2011.</p>	<p>Maintaining staff awareness through team meetings, briefing sessions and health checks</p> <p>Online Data Protection Training rolled out to all employees and repeated every 2 years.</p> <p>A record of all breaches and near misses is being maintained to inform learning and identify areas of concern</p> <p>Data Protection Impact Assessments being completed for all business processes that involve personal information.</p> <p>Data Sharing Agreements being put in place for all personal information being shared.</p> <p>Data Processing Agreements being put in place with bodies that are processing personal information on ELC behalf.</p> <p>All known proposals to share information are scrutinised by the IT Team Manager – Infrastructure and Security and Team Manager-Information Governance.</p> <p>Procurement Initiation documents check whether IT issues have been considered by new procurements.</p> <p>Report under draft addressing risks at Dunbar Road records store and identifying options for improvements.</p>				<p>completed in line with the requirements of the Public Records (Scotland) Act 2011, including assessment and recommendations for Dunbar Road records store.</p> <p>Revise our disciplinary policy and procedures to ensure that a deliberate data breach is a clear disciplinary matter attracting major sanctions as gross misconduct.</p>					July 2020		breach and involvement of Information Commissioner.
CR 5	<p>Failure of Client Services</p> <p>Failure of client services to comply with our procurement processes through lack of knowledge/experience and/or also business failure of key suppliers leads to service failure, poor value for money, fraud, loss of reputation and/or legal action.</p> <p>The minimum recommended amount of staff for the spend of the Council should be 10 FTE while the establishment at the moment is 7.5 FTE and the team is currently running with 6.5 FTE.</p>	<p>Corporate Procurement Strategy for period 2017 to 2022 adopted and in place along with Procedures. This is reviewed on an annual basis and updated as required.</p> <p>Purchase Card Procedures and Procurement Improvement Panel (PIP) in place.</p> <p>Regular reporting to PIP and CMT.</p> <p>Procurement Skills Training carried out.</p> <p>Controls in place over New Suppliers. Supplier Finder on Intranet.</p> <p>Close working with internal audit and departments (Audited regularly).</p> <p>CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found.</p> <p>Contracts Register is now available and accessible for all Services allowing more effective work planning.</p>	3	4	12	<p>There is a plan to utilise the Contracts Register together with monitoring processes between finance and procurement teams to allow clearer information for both teams and the Council as a whole.</p> <p>The no purchase order no pay policy should reduce risks (the last matter may require new system investment but in the first instance training on current systems to adapt will be investigated).</p> <p>Measures are to be adopted to ensure that prior to issuing a tender the estimated cost of the contract/spend is appropriately calculated and that the Service has an appropriate budget for this tender. In the event that the tender price following a procurement exercise is greater than 10% of the original estimate spend then authorisation for the award of the tender will be required from the relevant Service Manager or Head of</p>	2	4	8	Service Manager – Legal & Procurement	October 2020  March 2022  October 2020	N/A	<p>Risk Refreshed September 19 by Service Manager - Legal and Procurement with no change to score and new planned measure added.</p> <p>Risk Refreshed October 2017 by Service Manager - Legal and Procurement with no change to score and new planned measure added.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review		
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						Service together with either Service Manager for Legal & Procurement or Head of Council Resources.  Further measures are required to be implemented by the contracting Service following the award of the contract in which the Service will report back to Procurement to ensure further checks that the terms of the contract continue to be followed and best value is achieved.					March 2022				
CR 6	Loss of PSN Accreditation  Risk of losing PSN accreditation which gives us connection to systems such as Blue Badge, Registrars of Scotland, DWP, Police etc. which could be caused by failure to comply with PSN Code of Connection and would seriously impact upon the business of the Council.	Continual monitoring of code of connection.  Complying with mandatory controls set by HMG.  Patching regime in place.	2	5	10	Successful completion of Online Customer Platform to replace CRM system.	1	5	5	Team Manager – Infrastructure & Security	June 2020	N/A	Risk reviewed and updated September 2019. Current score reduced from 15 to 10 due to patching regime now in place.  Risk reviewed and updated October 2017 with current score increased from 10 to 15.		
CR 7	Catastrophic failure of central IT systems  Council wide Catastrophic failure of central IT systems (incl. Telephony) which could be caused by a fire/flood event, terrorist attack or a major virus. This would have a serious impact on the business of the Council. The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.	Disaster Recovery Plan in place for major systems.  Business Continuity plan in place - backup site for systems identified and core system backup plan created.  All known proposals to share information are scrutinised by the IT Security Officer and Information Governance Compliance Officer.	2	5	10	Continual development of IT disaster recovery plan based on lessons learned from regular testing of existing plan.	1	4	4	Team Manager – Infrastructure & Security	March 2020	N/A	Risk refreshed by Team Manager August 2019 with no change to assessment of current scores.		
<b>Original date produced (Version 1)</b>		19th December 2011										<b>Risk Score</b>	<b>Overall Rating</b>		
<b>File Name</b>		CH&PM Risk Register										<b>20-25</b>	<b>Very High</b>		
<b>Original Author(s)</b>		Scott Kennedy, Risk Officer										<b>10-19</b>	<b>High</b>		
<b>Current Revision Author(s)</b>		Scott Kennedy, Risk Officer										<b>5-9</b>	<b>Medium</b>		
<b>Version</b>		<b>Date</b>	<b>Author(s)</b>	<b>Notes on Revisions</b>										<b>1-4</b>	<b>Low</b>
1		19/12/2011	S Kennedy	Original Version											
2		31/05/2012	S Kennedy	IT Risks updated by S Buczyn and Register revised following Senior Management Restructure											
3		19/11/2012	S Kennedy	Updated following update of Risk Strategy											

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Single Outcome Agreement Outcome Number Link	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I				
4		Jan-June 2013	S Kennedy		Updated following review of Legal Services Risks.								
5		Feb – May 2013	S Kennedy		H&S transferred to Policy & Partnerships, IT and HR risks updated and Welfare Reform risk added.								
6		June-July 2013	S Kennedy		Revenues & Benefits and Finance Risks updated.								
7		September 2013	S Kennedy		Slight alterations to risks by Head of Council Resources								
8		October 2013	S Kennedy		Welfare Reform Risk updated by Task Group and Internal Audit Risk updated (no changes to risk rating).								
9		December 2014/January 2015	S Kennedy		Legal and Procurement, Licensing, Administration & Democratic Services, I.T, HR/Payroll, Finance and Revenues & Benefits risks refreshed.								
10		February 2015	S Kennedy		Finance Risks reviewed and refreshed and Benefits risks further refreshed.								
11		December 2015	S Kennedy		Legal & Procurement, Revenues & Benefits, I.T. and HR & Payroll Risks refreshed.								
12		February 2016	S Kennedy		Finance Risks reviewed and refreshed.								
13		October 2016	S Kennedy		Revenues & Benefits, Legal & Procurement and I.T. Risks reviewed and refreshed								
14		December 2016	S Kennedy		Customer Feedback Team Risks moved from Communities & Partnerships Register								
15		September/October 2017	S Kennedy		Welfare Reform risk update from Corporate Risk Register and updates received from I.T., HR and Licensing, Admin & Democratic Services, Legal & Procurement, Revenue & Benefits								
16		November 2017	S Kennedy		Updates made by Finance								
17		April 2018	S Kennedy		Insurance Risk removed.								
18		September 2019	S Kennedy		Updates made by Benefits, Revenues, I.T., Legal & Procurement and People & Governance								
19		October 2019	S Kennedy		All Finance risks updated and amalgamated and then reviewed by Head of Service.								



**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	Legal
Catastrophic	5	Unable to function, inability to fulfill obligations.	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances)	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.	Significant disruption to building, facilities or equipment (Loss of building, rebuilding required, temporary accommodation required).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions.
Major	4	Significant impact on service provision.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty)	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.	Major disruption to building, facilities or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council.
Moderate	3	Service objectives partially achievable.	Significant impact on budgets (can be contained within overall directorate 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.	Moderate disruption to building, facilities or equipment (loss of use of building for medium period).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council.
Minor	2	Minor impact on service objectives.	Moderate impact on budgets (can be contained within service head's 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.	Minor disruption to building, facilities or equipment (alternative arrangements in place and covered by insurance).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council.
Minimal	1	Minimal impact, no service disruption.	Minimal impact on budgets (can be contained within unit's 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 media (Internal).	Minimal disruption to building, facilities or equipment (alternative arrangements in place).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council.

Risk	Impact				
	Minimal (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
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